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[The following are selected translations from the Russian-language monthly journal *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* published in Moscow by the Institute of World Economy and International Relations of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated.]

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World Economy & International Relations

No 9, September 1990

English Summaries of Major Articles

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MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 9, Sep 90 (signed to press 15 Aug 90) pp 158-159

[Text] V. Baranovskiy. "Europe: Emerging New International Political System." The latest developments in Europe changed drastically political order established on the continent after the World War II. Our ideas of the character, tempo and possible consequences of the changes in the region need profound correction.

The essence of the changes is, first of all, overcoming of the East-West confrontation and establishing of non-confrontational interaction of two social systems. The fact is, that instead of slow evolutionary change from confrontational model to co-operative one, revolutionary changes in Europe took place, resulting in a rush overcoming of the formational dichotomia of the regional political system.

These changes undermine traditional European stability based upon an old balance of power; yet, the powerful integrational trends causing growing interdependence and interlacing of interests most probably will step by step remove sources of the international conflicts and rivalry. The most stabilizing effect will have spreading all over the continent of the general system of values, and first of all its democratical component.

In spite of the obvious critical developments in the Soviet Union, which could not but result in some weakening of its positions in the world, it still preserves possibilities to influence in a high degree European affairs. On the other hand, the uncertainty of the future of the USSR is becoming the most serious problem for Europe. Another cause of instability is created by internal problems of Eastern European countries. Discussing the problem of unification of Germany, the author points out, that German involvement in different international structures and highly developed democracy may form one of the main factors of European stability.

L. Delyusin, in his article "Reforms in China: Problems and Contradictions," dwells upon a political and socio-economic situation in China after the suppression of the student movement in June 1989 and argues that numerous sinologues came to the conclusion about the failure of reforms in China and about the victory of conservative forces which managed to stop the advancement of China along the way of a democratization and reconstruction of the economic system. The author believes that in spite of assertions of a new leadership of China concerning a revival of the economy and an introduction of the order in the country there is a return to administrative and command methods in managing

the economy. This process manifests itself in an expansion of the sphere of the centralized planing, an introduction of a strict control over prices, an intensification of a supervision over an individual and private business activity, and a campaign against the so-called "bourgeois liberalism." When analyzing the events taking place in the contemporary China in detail, the author comes to the conclusion that the Communist Party of China is incapable to realize successfully a comprehensive modernization of the country and its advancement to the level of the leading countries of the world without a further intensification of economic reforms directed at an expansion of market relations, without a political system aimed at a democratization of the present political and socio-economic system.

When appraising the functioning of the Japanese economy during the 1980s, I. Tselishchev, in his article "The Economy of Japan: Results of the 1980's," reminds of the fact that after the epoch of high rates of growth from the middle of the 1950s to the beginning of the 1970s there was a period of a slow-down of the growth rates conditioned by two oil shocks and the yen shock. This series of shocks stimulated quite intensive processes of a structural, technological, and organizational adaptation of the national economy. As a result of an acceleration of the scientific and technical progress with a leading role of microelectronics, an innovation of equipment and a saving of resources allowed to alleviate the acuteness of the energy problems in order to eliminate the influence of the oil shocks. Again, an acceleration of the scientific and technical progress in combination with the growth of the competitiveness of the Japanese commodities facilitated considerably an overcoming of the yen shock. And then, from 1987, a new stage of growth started which was evidently of a long-term character. At the same time, the structure of the growth was radically changed, and Japan was converted into a trade, industrial and financial "superpower" during a quite short period of time. But on the verge of the decades the question is whether Japan, as the trade, industrial and financial "superpower," will also attain the position of a superpower in the level of consumption. That is the main question being raised now in Japan.

The article "The Evolution of the Keynesian Theory in the Time of a 'Conservative Shift'" by I. Osadchaya is devoted to theoretical aspects of the market regulation, first of all by means of the government budget, fiscal and credit policy, and to discussions on these problems in the contemporary economic literature in the USA and abroad. The author shows that the Keynesianism, as a specific concept of the macroeconomic regulation with its purposeful priorities (employment and stable economic growth) and methods (budget, credit and monetary system), experienced a serious crisis and was subjected to a conceptual criticism on the part of a number of theoretical schools—monetarism, supply theory, new neo-classical school, social choice theory, etc.—combined under a general term of a conservative or neo-conservative direction of the economic thought. But

this criticism conditioned formation of the so-called post-Keynesianism emerging from two flows—the English left Keynesianism with the center in Cambridge and the critical Keynesianism in the USA. The basic spheres of post-Keynesian analysis are a “non-neutrality of money” and problems of pricing. But in the end the contemporary theoretical discussions around the Keynesian theory are concentrated on the selection of goals and methods of the macroeconomic policy. As a result, the crisis of the Keynesianism engendered both a revival of the neo-classical theory and new trends in the evolution of the Keynesianism itself.

A. Galkin. “Social Stability: Some Theoretical Approaches.” Realities of the historical process put forward the problem of social stability.

An absolutely stable system is but a pure abstraction. Highly stable systems do exist; yet, such systems, being unable to adapt themselves to new conditions because of the extreme degree of resistance to the changes are not as viable as it is usually supposed. The most viable are dynamic systems, with stability strong enough to guarantee self-preservation and at the same time able to change. Stability of such systems depends on the compound of unsteady equilibriums of the elements and sub-systems, as well as of the system-creating and system-changing processes. It is the question of the optimal correlation between continuity and modification, conditioned by internal and external stimuli.

Such laws function in the social systems, too. Elements of these systems constitute social groups, accumulating and defending their members' interests. Relations between the groups are determined by the degree of coincidence or contradiction of the interests. Changes of the social systems are, first of all, complex, though processes in the different spheres are connected but indirectly. The changes, transforming elements of social systems, are usually discreet. In most cases the changes of social systems are strongly influenced by political will; it may intend to stimulate or to prevent changes, to realize them in moderate or extreme forms, etc. There are two main models of solving contradictions between social interests: confrontative model, leading to the social liquidation of the opponents, and the other one, based on consensus, looking for the objective interests.

The main part in the process of transforming of the objective interests into social behavior belongs to the political culture.

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Political Changes in Europe Analyzed

AU2011060090 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Oct 90 (signed to press 5 August 1990) pp 5-18

[Article by Vladimir Georgiyevich Baranovskiy, doctor of historical sciences, head of department at the USSR

Academy of Sciences World Economics and International Relations Institute: “Europe: The Formation of a New International Political System.” This publication is based on the main theses of the author's 4 June 1990 report at the Academic Council of the said institute and on the discussion which followed.]

[Text] The dramatic events which unfolded in Europe in 1989 and 1990 have literally blown up the international political order established on the continent after World War II. A need arises to radically amend our ideas of the character, pace, and possible consequences of the changes which are under way in this region.

Overcoming the Split

The ideas of the “new political thinking” formulated at the beginning of perestroika and the corresponding practical actions taken by the USSR have been oriented toward overcoming the East-West confrontation which has remained the most important characteristic of international relations on the European continent throughout the postwar period. The changes which began to take shape in the international arena have been regarded, first and foremost, as a transition toward a nonconfrontational interaction between two sociopolitical systems.

Of course, it was not simple to do this. A decisive (and quite painful) renunciation was required of the ideological dogmas and stereotypes of long standing, those on the class character of the relations between states, the confrontation between the two systems as a determining feature of the contemporary epoch, the ideological struggle in the international arena, and so forth. However, in principle, the process of establishing more civilized East-West relations could develop within the framework of the existing international political system—it was only necessary to radically change the character of interaction between its constituent elements. In other words, it was assumed that both socialist and capitalist countries would begin to overcome their inherent mutual intolerance but would, at the same time, maintain their dissimilar political orientations; the Warsaw Pact and NATO would reduce the level of the military confrontation between them, continuing, however, to play the key role in guaranteeing military security of their respective member countries and remaining, in principle, opposed to one another; CEMA and the EC would embark on the path of developing cooperation between themselves, although the member countries of both organizations would maintain their fundamentally dissimilar (and, therefore, largely incompatible) economic systems, and so forth.

Within the framework of such a scenario, there must have been every reason to expect that the transition from confrontation to constructive interaction would be a gradual and time-consuming process. Mutual adaptation, coordination of interests, the search for compromises, and the finding of that balance of gains and concessions which would be acceptable for every country—all this would have required lengthy negotiations,

diplomatic maneuvering, crucial political decisions, and a thorough preparation of public opinion. The gradual and protracted evolution would have been of a sufficiently predictable nature. Each side would have been able to block those lines of development which it found perturbing. This would have applied, to an even larger extent, to those problems which are, for some reason, "inconvenient" for both sides. For example, not only was the thesis to the effect that the German problem would be resolved by history (which apparently implied decades and not months or even years) propounded by the Soviet leadership but it also met with certain understanding (if not sympathy) on the part of our Western counteragents.

The actual development of events has refuted this scenario of the gradual formation on the continent of a nonconfrontational system of interrelations between the states of the two systems.

First, the revolutionary changes in Eastern and Central Europe have led to the disappearance of such realities as "socialist community" and "fraternal socialist countries." As a result, the character of the international political system in Europe is changing fundamentally. This system is losing its pronounced bipolar character, and this is precisely what had constituted its main feature. Over several decades, such notions as "interaction (confrontation, coexistence, and cooperation) between two systems," "East-West relations," "interrelations between socialism and capitalism," and so forth were of crucial significance in the description of this system. Today, the very notion of "East-West relations" as characterizing an interaction between two groups of states at the levels of system and formation is becoming meaningless. In other words, whereas before it was the question of changing the character of that interaction (figuratively speaking, substituting the "plus" sign for "minus"), now an ongoing transformation at the level of its subjects is obvious. This means that in those states which have, until recently, constituted the so-called "socialist community," the political, economic, and ideological changes are eliminating the formational dichotomy from the regional international political system. Its more or less protracted death-throes or relapses may only be possible if reforms in the said countries are insufficiently profound or proceed slowly.

Second, the process has assumed the character of an avalanche. The internal political changes have occurred within a period of just a few months. In the case of German unification, they were immediately accompanied by a most powerful "outburst" onto the international scene; it is quite obvious that in other cases, too, the international political consequences—even if they are, for some reason, amortised and, on the face of it, not so dramatic—may, quite soon, acquire considerable scope. Not only do the participants in international life not have enough time in which to react to these changes and adapt themselves to new conditions, but quite often they are not even capable of comprehending them. While

it is clear to everybody what we are abandoning, there is no complete clarity or an unambiguous idea of what all this will lead to.

Changes and Stability

Instead, there is a kind of subconscious anxiety—what if things get even worse than they were? There is an apprehension that a chaotic international political system devoid of that structural "harmony" which was inherent in bilateral confrontation will emerge; a system which will not, therefore, be very stable. There is apprehension that, even if such a system is somehow devised, it will turn out to be unstable anyway because the colossal restraining and mobilizing factor, effective in a bipolar system, will disappear—namely, the existence of a common enemy, a potential adversary, whom it would be necessary to oppose, even if one had to restrain one's own ambitions to achieve this goal. There is apprehension that the formula "everyone for himself and against all the others" may become the universal principle of behavior under the new conditions, a formula which is virtually equivalent to an uninhibited rivalry of national self interests.

To what extent are these apprehensions justified? I believe that a theoretical possibility exists that Europe may go back to the "classical" system of international political interrelations, a system in which independent states acting on their own as its main agents will strive to maximize their resources and their influence and, for this reason, compete against one another. The stability of such a system is dependent on maintaining relative equilibrium among its participants. In Europe, this equilibrium took shape approximately in the middle of the 17th century when the Habsburgs' claims on domination in the region were ultimately buried and a certain balance of forces was established whereby the main international participants neutralized one another. Within such a system, a disruption of the internal balance would be the main conflict-producing factor which would create tension in it and may even lead to an explosion and its total destruction.

From the point of view of the given hypothesis, this bipolarity in Europe has been a known anomaly whereby the confrontation between the two diametrically opposed ways of organization of social life has turned out to be the main affliction of the European international political system, a confrontation which has been pushing nation-state aspirations to the background. This anomaly is being overcome now. If one is allowed to say so, the natural order of things is being restored. However, the return to the "free play" on the European scene is also fraught with serious dangers: The old equilibrium and the mechanisms for achieving it are disappearing, while a new balance of forces has not yet taken shape, and in such conditions some states may choose to orient themselves toward a comprehensive and quite energetic strengthening of their positions relative to those of other participants in international life and may, at the same

time, manifest increased sensitivity to similar actions being taken on the part of these other participants.

However, it appears that this hypothesis is somewhat one-sided in character because it absolutizes those premises on which it is based. After all, there also exists a powerful opposite trend, namely, an interdependence in the world arena which is intensifying and leading to an increasingly close interweaving of the interests of different states and of the very conditions of their existence. Perhaps, in some cases, this interdependence may also generate problems in the interrelations between states, but, apparently, in the long run the development of this trend will gradually eliminate the sources of interstate conflicts and neutralize the mutual rivalry (at least in its traditional forms) in the world arena. Logically speaking, the role of the states themselves, as autonomous participants in international life must gradually decrease as a result, to the extent of shaping the mechanisms of transnational interaction. (Incidentally, a further trend emerging in the European political landscape is working in the same direction—namely, an increasing role of individual regions of different countries, regions whose participation in international life may, over the course of time, become quite conspicuous.)

The question of an erosion of the role of different states and of the potential international political consequences of this erosion requires a special study; this is one of the key problems which are being presently dealt with within the framework of the theory of international relations. However, it may be stated that this interdependence has developed much more extensively in Europe than anywhere else. The changes which are under way on the continent are giving a new impulse to this process and will further expand the framework of this interdependence—in the course of overcoming the split on the continent as a result of which prospects are opening up for a more profound and comprehensive integration of the USSR and Eastern European countries into the world community.

It is possible that the stability of the international political order taking shape in Europe will be guaranteed, to an even greater extent, by a gradual propagation into all the countries of the continent of a general system of values and, first and foremost, its democratic component. In all likelihood, this process in itself may also be accompanied by both unrestrained euphoria on the part of those who regard themselves to be the victors and by fits of ideological masochism on the part of those who are unwilling to waive their principles. However, something else is much more important—the entire historical experience of this century indicates that wars do not, normally, emerge between democratic states. Whether or not democracy will be able to find a proper answer to all future challenges of international political development remains an open question. However, it is quite obvious that it is better adapted to this than are any other modes of organization of contemporary society. In other words, the more democracy there is in Europe (primarily as a

result of its spreading to the eastern part of the continent), the more reason we will have to count on the stability of the international political system which is emerging in this region.

In the long run, the trend toward an intensification of interdependence and the formation of a more homogeneous (yet not at all monotonous!) political space will not only prevail, but will probably make it possible to gradually do away with potential destabilizing consequences of that restructuring of the international political system which is under way in Europe. However, in the near future, relapses of nation-state individualism cannot be ruled out either. Owing to the fact that the thinking in terms of foreign policy and foreign policy practice is being released from the burden of bipolarity, the traditional concepts of nation-state interests, balance of forces, their maintenance at regional and subregional levels, and so forth may receive a strong additional impulse or may even generate conflict situations.

In this connection, it is important to point out that that stage in the international political development in Europe which started at the end of the eighties and the beginning of the nineties is transitional in character. The erosion of the existing international political regime is intensifying, but this destruction of the "old order" is not being counterbalanced by an equally quick formation of a replacement for it. Why not? Because a certain inertia of foreign policy thinking exists; because there are institutional structures which emerged within the framework of the "old order" and which are adapted, first and foremost, to servicing its needs; because the participants in international life are not sure that the changes which have started are irreversible in character; and because it is not clear which parameters should be put into the system which is emerging. It may well be assumed that, in such conditions, the majority of those mechanisms of interaction between states which have justified themselves in the participants' eyes will also be able to function in the future, although, in all probability, their functioning will gradually change in character in conformity with the new situation taking shape in Europe.

Any transitional period is fraught with certain dangers. In principle, all participants in international life are interested in reducing them to a minimum. However, it is precisely in the transitional period that a revision and reorientation (which is quite significant) of nation-state goals take place; nor can one rule out a situation in which they may prove to be in conflict with the tasks of maintaining regional stability if they are regarded as priority ones. The main danger of the transitional period lies in this, and the objective need to form all-European structures of interaction and interdependence of the states of this continent stems from this.

This is the general background against which it makes sense to analyze various specific aspects of the formation of a new international political system in Europe. It will perhaps be logical to start with reflecting on the place which the Soviet Union will occupy in it.

The Soviet Union and Europe

Many of those factors which have traditionally guaranteed the USSR its high international political status and a significant influence both in the world arena as a whole and within the framework of the European continent are losing or have already lost their significance. The foreign-policy dividends stemming from the possession of nuclear weapons are decreasing (the arsenals of these weapons will also decrease); Soviet military presence in Eastern Europe is also decreasing and will soon be reduced to naught; the USSR can no longer play the role of the leader of a whole group of states which are oriented toward it, and CEMA and the Warsaw Pact, in which it previously dominated, are losing their viability right before our eyes.

The main problems, however, are associated with the Soviet Union's internal development. The country has entered a period of crisis development which involves the entire domain of social life (the economy, policy, ideology, interethnic relations, and so on), and, to all appearance, this period will be quite protracted. All this cannot fail to lead to a weakening of its international political positions.

At the same time, one can clearly see those factors by virtue of which the Soviet Union is still capable of quite considerably influencing the state of affairs in Europe. It remains a major military power in the region, possesses a huge potential in the economic sphere, and has certain achievements in some trends of scientific-technological progress. In many respects, the "specific weight" of the Soviet Union in Europe is still due to its geopolitical situation. It is quite significant that the renunciation of the "Brezhnev doctrine" opens up a path toward normalizing relations with Eastern European countries.

The policy of perestroika is enjoying wide support on the part of public opinion and political circles of European countries. This is creating exceptionally favorable conditions for the Soviet Union to resolve a major strategic task in the given foreign policy direction—to ensure the country's more active and organic integration into the world community through the "European window." However paradoxical this might be on the face of it, the weakening of the Soviet Union is also, to some extent, playing into its hands. It is becoming less "dangerous" in the eyes of West Europeans and therefore more acceptable as a partner.

However, the credit of trust being enjoyed by the USSR as a consequence of perestroika which has started is not limitless and may turn out to be exhausted. It is already decreasing. Whereas before, the Soviet Union's strength and power (more specifically, military power) caused anxiety in the West, its weakening and disintegration are being followed with even greater apprehension, because there is no way of knowing how a country with an enormous charge of accumulated social discontent, deformed national self-consciousness, and a large arsenal of nuclear warheads will behave in conditions of

economic and political chaos. It would not be an exaggeration to say that the USSR's uncertain future is becoming the most serious international political problem in Europe.

In such conditions, the place and role of the Soviet Union within the system of interstate relations taking shape in Europe will depend primarily on two circumstances. First, on the extent and pace of the reforms being implemented in the country—because the high level of incompatibility between the Soviet rational economy and the market economy is creating objectively conditioned obstacles on the path of its interaction with other European countries, obstacles which cannot be overcome with the help of purely political decisions. Second, it will depend on maintaining the international political capability of the USSR as an integral formation (a state or a union of states). Unless these tasks are resolved, the very participation of the Soviet Union in the regional international political system will be more than problematic.

It must also be taken into account that a "westernization" of Eastern European countries is already developing more vigorously and is producing more profound results. If this trend is maintained, the "line of the split" may shift from the center of the continent to the USSR's western border. This will result in a decrease of the Soviet Union's role in Europe and a sharp narrowing down of its foreign policy potential. It cannot be ruled out that under such conditions a "common European home" will be built without the participation of the initiator of this project or its participation may be quite symbolic. The Soviet Union may count on being able to avoid quite an unenviable fate—to find itself at the periphery of the new European development—only if it speeds up its domestic reforms.

However, the greatest uncertainties with regard to the Soviet Union's participation in the European international political system are associated with the sharp intensification of separatist tendencies in the country's many regions, including those which constitute its western periphery. The maintaining of the "European prospect" for the Soviet Union will largely depend on the extent to which it will manage a) to avoid decisions involving the use of force in these regions; b) not to allow the transformation of interethnic problems into a source of tension in its relations with European countries, especially with its immediate neighbors to which separatist forces may appeal for assistance—Romania, Hungary, and Poland; c) to ensure the establishment and maintenance of constructive (or even preferential) interrelations with those republics which would choose to secede from the Soviet Union; d) in preparing a new union treaty which will ensure effective mechanisms for elaborating a general foreign policy on the part of all members of the association in order to legitimize its foreign-policy course.

At the same time, if reform of the country's nation-state system proceeds in terms of creating a union of genuinely sovereign republics (in all probability, this is the only chance to maintain the USSR as a discrete entity), then the foreign political consequences of such a development will be quite perceptible. Theoretically, the republics may, of course, delegate all their powers for maintaining ties with the outside world to the center. However, this would more likely be a more differentiated picture. In other words, not only the interrelations between the republics and the center and between individual republics themselves, but also their independent ties with European states may be based on the principle of the "variable configuration of the wing" ["izmenyayemaya geometriya kryla"]. It is clear that not only the significance but also the configuration of European problems will be dissimilar in the case of Moldavia and, for example, Tajikistan.

Nor must we, perhaps, rule out the possibility that the number of participants in the CSCE will grow, the circle of aspirants to membership in the Council of Europe will expand, and so forth. To some extent, all this will signify a weakening of the Soviet Union's political influence. At the same time, however, the USSR will acquire a chance for a more active integration into the pattern of European interstate relations, although this may involve activating the nation-state formations within it to a larger extent than the Soviet Union as an integral whole.

Eastern Europe Vacillating between Renewal and "Balkanization"

The place and role of Eastern European countries are radically changing in the international political system taking shape on the continent (this applies to all European countries, apart from the USSR, which have, until recently, been regarded as socialist ones). A distinct westward drift has become obvious in the foreign-policy orientation of the majority of them. However, the economic structure which has taken shape and especially the structure and orientation of foreign economic ties will, for a long time to come, continue to nourish their striving to maintain a sufficiently high level of relations with the Soviet Union. The objective geopolitical interests of Eastern European countries are oriented in the same direction. At the same time, we must keep in mind that the shift to the right in their internal political development, including that in the question of their attitude toward the USSR, has by no means been completed.

The internal situation in some of these countries is a serious source of instability in Europe (perhaps, the most serious one, if the USSR is also taken into account). First, the difficulties of their economic situation; second, the not yet firmly established political structure; and third, the chronic problems of interethnic relations—all these factors may create the perfect environment for an internal radicalization of society which may lead to quite dangerous "outbursts" in the sphere of foreign policy.

Some people see in this a danger of the region's "Balkanization" in the sense that the situation which took shape on the eve of World War I may recur. I believe that such analogies are only partly appropriate. The main difference between the present situation and the one which prevailed at the beginning of the century lies in the fact that the present international political environment is relatively favorable and there is no pronounced expansionism on the part of the leading European states with regard to this region. It is very significant that the question of dividing Europe into spheres of influence of East and West, a question which has, until recently, been quite acute, has lost its topicality in the case of the above countries. It is, for example, clear that the disintegration of Yugoslavia, had it occurred in combination with a bipolar international political structure, would have turned out to be a detonator for an all-European explosion. Today, however, a possible aggravation of the situation will hardly become a catalyst for enhancing the contradictions between other participants in international life; on the contrary, a sufficiently broad all-European interaction may be expected in this case (the first manifestations of this interaction can be seen even today—for example, in connection with the creation of the European Bank for Reconstruction and Development).

The differentiation of Eastern European countries (first and foremost, in terms of the level of their economic development), which has also existed before, will, in all likelihood, turn out to be even more pronounced after the political fetters, which have been gripping these countries, disappear. Two zones may emerge in this region as an international political consequence of this differentiation, and the participants in these zones will differ from one another in terms of the degree of their involvement (both practical and potential) in those mechanisms of interaction between states which are functioning in the western part of the continent. Besides, the reorientation may be quite painful for such countries as Czechoslovakia, Hungary, and Poland which, as would be logically to assume, might count on a faster "return" to Europe: They will turn from being CEMA's recognized industrial leaders into peripheral participants in the Western European system with no specific individuality and will yet have to find their own niche in this system.

A New Role for Germany

A fundamentally new aspect determining the specific features of the international political system which is taking shape in Europe will lie in the transformation of a unified Germany into one of its major participants. It will probably play a key role on the continent or even aspire to the role of a "European superpower," if one takes into account the economic might of this state, its military potential, and the advantageous geopolitical situation.

Even now, such a prospect is giving rise to apprehension on the part of many other countries—both the immediate neighbors of Germany and its competitors among the leading countries of Western Europe, those which may find themselves pushed to the background. Nor should particular historical reminiscences be disregarded.

The reaction to the emergence of this phenomenon, which has no precedent in the postwar history of Europe, can be followed along several directions. Here, one can see the striving, not always openly expressed but, nevertheless, quite pronounced, to extend American presence in Europe as a political instrument for influencing Germany and as a means for restraining it from an activation in the sphere of military preparations. This also includes a more extensive interaction between France and Great Britain in the area of nuclear weaponry (which is the only area in which Germany will not aspire to full-weight participation). One can also observe a phenomenon which is the most important one here, namely the persistent attempts to ensure a participation of Germany in various agreements, accords, mutual obligations, institutional structures, and so forth with the aim of restricting it from gaining a free hand in the international arena. (Let us remark in parentheses that, from this point of view, the thesis of the need to synchronize the process of German unification with the formation of all-European structures, on the one hand, and the persistent striving to guarantee the participation of Germany in NATO, on the other, actually stem from one and the same source.)

Apparently, it might be possible to succeed somewhat in "restraining" Germany by hampering the process of its unification through the negotiation mechanisms functioning in accordance with the "two-plus-four" principle, or else by supporting it only on quite stringent terms. However, at best, this kind of action would produce a short-lived effect. On the other hand, they would also most certainly stimulate negative tendencies—both at the level of social sentiments in that country and at the level of its policy. The same applies to the so-called "singularization" of Germany—the establishment of a special regime for it—unless it is meant for some short-term transitional period (this mainly concerns two questions: foreign military presence on the territory of Germany and restrictions imposed on its sovereignty). The international political costs associated with the emergence of a new "Versailles syndrome" in Germany are quite obvious, especially in view of the fact that national self-consciousness in that country is gathering momentum.

Something else is also obvious: Speaking of expansionism in the traditional sense of this word, a country which has achieved impressive results in its socioeconomic development (which, in itself, is a most powerful factor of stability of its foreign-policy course), has become involved in a relationship of close interdependence with other states (and, is not, for that reason, interested in any kind of confrontation with them), and has already accumulated considerable experience in the functioning of democratic institutions (which also creates certain guarantees against

adventurism in foreign policy) will hardly be inclined to it. Of course, it is always possible to say that these guarantees are not absolute or one-hundred-percent reliable; that the "quality" of democracy on German soil is not known, because its stability has not been tested in crisis conditions; and that an aggravation of economic difficulties may drastically alter the situation and arouse dangerous aggressive instincts in even-tempered and loyal burghers.... However, identical assumptions may also be made with regard to any other state—the only difference lying in the fact that the Germans know better than many other nations the price one has to pay for failing to restrain oneself.

If we look soberly at the existing state of affairs and avoid giving way to our own passions while reflecting on the "worst of all possible scenarios," then it will be quite reasonable to assume that, in the long run, Germany may become a major factor in stabilizing the situation on the European continent. Business, finance, and trade will be the instruments for its expansion; the formation of an expanding economic zone will be a condition for its self-assertion; and the countries of the eastern part of the continent will increasingly become its partners.

With regard to the question of territorial claims, it is not so much official statements which are significant here as the shaping and maintaining of such a political atmosphere inside and outside the country in which the problem itself may, in fact, turn out to be irrelevant. As it appears, this problem may become topical only if three factors simultaneously prevail: a serious economic recession, an aggravation of the situation involving immigrants, and a hostile foreign-policy encirclement. The first factor is unlikely to become topical in the foreseeable future. The second, on the contrary, is possible but can be regulated (although this seems to be a quite difficult task). The third may be avoided in principle, if the international community as a whole and, primarily those countries which are directly concerned, will be able to refrain from an exaggerated reaction to the emergence of a unified Germany, and the latter will not give reasons for this.

Is the European Community a Prototype for a Future Regional System?

The Western European integrational association—the EC—will play an increasingly greater role in the regional international political system. There are more than adequate grounds to assume that it will increasingly transform into a core, a nucleus of this system.

First, in connection with a concentration, within the framework of the EC, of the most significant part of European economic potential. A realization of the program for establishing a single internal market will give a further impetus to the integrational processes which are

under way within this community and will promote further strengthening of its positions.

Second, in connection with the fact that the EC is becoming increasingly attractive for other European states. Some of them (Austria) are counting on full-fledged participation in this community; starting with the European Free Trade Association [EFTA], the level of interrelations is becoming higher, so that a "European economic zone" can be created; and the Eastern European countries have been promised a special status in this association.

Third, a politicization of the community is taking place and it is becoming more actively involved in tackling those questions which were not initially within the sphere of its competence. Foreign policy and the non-military aspects of guaranteeing security have long been subjects for correlating and coordinating actions of the member countries; recent events have stimulated an animated discussion of the possibilities for an accelerated creation of a political alliance; and calls for expanding the EC's authority into the defense sphere can be heard more and more frequently.

Fourth, the community has reasons for claiming to be able to better express European interests and pursue its independent policy in the international arena. The political status of the EC will rise even more if the role of NATO decreases.

Fifth, the EC is highly active in the world arena and is perceived by other participants in international life as the most influential representative and exponent of European interests, and by no means in the economic sphere alone. In particular, the level of its relations with the United States is becoming higher; the American leadership has given the community its "blessing" to develop political activity in connection with the events in Eastern Europe and in connection with the process of German unification which has started.

It appears that the EC will play an exceptionally positive role in the European international political system which is taking shape. In the era of the stormy changes on the continent, the community constitutes an example of economic stability and predictability of political behavior. It has become an effective mechanism for expanding and intensifying an interdependence on the basis of which age-old antagonisms are being smoothed over and gradually brought to naught (as was the case of the antagonism between France and Germany). The interest which the community has started taking in the East enables one to count on its constructive participation in organizing cooperation within the framework of the entire continent.

It is extremely significant that the EC has turned out to be precisely that organizational and institutional form which seems to be best suited to resolving the tasks of a gradual transition from traditional methods of interaction between states to new structures having a transnational dimension. It is possible that, for the formation of

a common regional system, it will only be necessary to repeat that path which has already been covered by the participants in the EC—although on a wider spatial scale. The EC itself might, in this case, be regarded as a nucleus for a future regional system and as its most developed part.

At the same time, it is necessary to take into account the gradual character of the changes which are being accomplished through integrational development. Experience which the EC has accumulated is a result of several decades of searching, which has been far from simple and sometimes painful, for a mutually acceptable balance of interests of its participants. A possibility that this experience will be readily disseminated among a much broader range of countries appears to be quite problematic. This is all the more so because today, in terms of economic development and some important parameters of the organization of political life, the differences between these countries are much more significant than they used to be between the initial participants in the EC three or four decades ago.

The Fate of Military-Political Alliances

The future of military-political alliances in Europe is becoming a subject of increasingly animated discussions. In principle, no serious objections are raised against overcoming the bloc structure some day. The question is what role the alliances may play in the foreseeable future, in the conditions of a transitional period.

In all probability, military-political alliances (both en masse and each one separately) are capable of playing a constructive role in guaranteeing more stable conditions for the process of the changes which are under way on the continent. In particular, they might act as mechanisms for organizing an effective dialogue on the most important questions of guaranteeing security and arms reduction. By creating joint bodies (for example, for verifying arms-control agreements), the existing military-political alliances might make their contribution to the formation of cooperative security structures on an all-European scale.

However, we are compelled to refrain from the idyllic concepts of a harmonious (and equitable) participation of the two military-political alliances in creating a new regional system. Such participation is impossible for reasons of unequal capabilities of these alliances. Today, fundamental differences exist between the situation in NATO and the situation in the Warsaw Pact.

Political development in Eastern Europe makes the future of the Warsaw Pact more than problematic. Perhaps, it might yet be useful as an institutional structure for political interrelations among its present participants, a structure making it possible to reduce the degree of uncertainty in conditions of possible instability in Eastern Europe. However, to enable this to happen, a genuine democratization of the Warsaw Pact is necessary as well as its transformation into an alliance which

will be more political than defensive in nature. It looks as if the opportunity for such a transformation has already been missed.

With regard to NATO, this structure, as its participants believe, has fully proved its viability and must be maintained. At the same time, it may be assumed that in the course of time—if the current trends in Europe develop further—the level of its support by public opinion will decrease. How long NATO will outlive the "cold war" is by no means a pointless question.

It is quite obvious that this alliance will not be able to remain immutable in the conditions of the positive changes which are under way on the continent. It appears that these changes will involve the following: a) amendments in military strategy (renunciation of the organization for defense at lines of forward positions, a possible revision of the principle of using nuclear weapons in early stages of conflict and of the concept of "flexible response" in general, a decrease in the role of the U.S. Armed Forces in Europe, and an orientation toward using them, first and foremost, as a mobile strategic reserve); b) a curtailment of military programs; c) a further Europeanization of the alliance, France joining it, in one form or another, and a possibility of creating multinational forces; d) an activation of political (and generally nonmilitary) cooperation between its participants.

At the same time, NATO will apparently also aspire to a participation in creating broader all-European structures. To this end, its interaction with the CSCE may be put on a firm basis and the USSR may be allowed to take part in the consultations conducted within the framework of this alliance. In principle, the development of the above course may lead to transforming the reformed alliance of Western countries into the core of a future system for guaranteeing all-European security, which implies that the Soviet Union will need to overcome certain political and psychological stereotypes and renounce its perception of NATO as an indisputably hostile power. This latter necessity is significant not only in connection with the question of a united Germany's membership in this organization but also in the event of some of the present Warsaw Pact member countries possibly applying for membership to NATO.

In a certain way, the Western European Union (WEU), the only organization in Western Europe authorized to deal with questions of military enforcement of security in which the United States is not represented, is an alternative institutional structure. In spite of its declarations to the effect that its cooperation with NATO is a matter of priority, in some cases, the WEU has distanced itself from orthodox Atlanticism and it cannot be ruled out that in the future it will also aspire to a fuller expression of the interests of guaranteeing security for Western European countries. In the conditions of a relative weakening of NATO's military functions and curtailment of the American involvement in the cause of "European defense," it is precisely the WEU which is capable of becoming that organizational structure

through which military interaction proper between member states may be activated. Such an activation will probably give rise to apprehension on the part of the USSR, but this apprehension may, in turn, be neutralized if Moscow joins in the corresponding consultations.

Disarmament Is Becoming a Reality

The advancement along the path of arms reduction and disarmament is a necessary condition for the formation of a nonconfrontational system of interstate relations in Europe. The assessments of military threat which have changed both in the West and East are creating favorable preconditions for this. The conclusion of a treaty on extensive reductions of armed forces and conventional weapons; the elaboration of a new generation of confidence-building measures in the military sphere; and the carrying out of negotiations on the reduction of tactical nuclear weapons in Europe—these are the urgent steps which need to be taken in this field in order to stop lagging behind the political changes which have begun to be felt on the continent.

These changes are creating favorable preconditions for the reduction of the role of military power in guaranteeing security and, in this sense, for even more profound reductions. They may be possible as early as the next few years and may be accomplished both unilaterally and as a result of further negotiations. Of major significance in this respect will be the withdrawal of Soviet troops from Eastern Europe, a withdrawal which will actually take the question of military threat to Western European countries completely off the agenda. At the same time, it may be expected that quite perceptible internal political pressure on the governments may emerge both in Western Europe and in the United States to sharply reduce or eliminate altogether American military presence on the continent. A marked decrease of the scale of military preparations seems to be a quite real prospect for all European countries.

It does not seem unattainable that in the future (although not in this century), all-European forces may be created for maintaining peace, forces earmarked for operations preventing or settling conflicts and which would replace (at first partially and then, perhaps, in full) the regular armed forces of the countries of Europe. However, development in this direction demands, first and foremost, that the processes of all-European economic and political integration be activated—although it may be conducted in such a way as to outstrip these processes to some extent.

In the foreseeable future, however, the main problems will apparently concern not so much a fundamental or strategic choice as a pure practicality—which, in itself, does not in any way mean that these problems will be resolved automatically. Thus, for example, the reduction of conventional arms and general-purpose forces requires that the participants' approaches to the enormous number of technical

questions be coordinated, a new generation of confidence-building measures (and simply for ensuring mutual confidence) requires a much higher level of "openness" (especially in connection with the activity of military industry and on the question of military budget). Also the unification of Germany and the erosion of the Warsaw Pact are undermining the organizational structure of dialogue and that of potential decisions on arms control, because it is becoming unclear in which way (between whom and by whom) the balance of armed forces and armaments should be determined.

The above problems may also be further aggravated by "linkage" relapses, whereby a deliberate manipulation of the problems of arms control themselves (the pace of negotiations, the extent of reductions, and so on) is accomplished for the sake of achieving certain political goals. In particular, the Soviet Union has lately been blamed for this, and suspicions have been voiced to the effect that it decided to slow down the Vienna talks in order to put pressure on the West regarding the German problem. In principle, the USSR has, of course, a possibility to drag out the negotiating process, but if it does so it will only undermine the confidence in its European policy. At the same time, it is precisely in the sphere of the reduction of conventional arms and armed forces that it has huge reserves which can be used for creating a more favorable atmosphere in the relations with its European partners.

Apparently, further changes in the sphere of nuclear weapons will soon take place on the European continent. The prospect of a sharp reduction of the quantity of ground-launched tactical missiles in the nuclear inventory [zemeshecheniye] and also of an elimination of the entire nuclear artillery has become quite real. However, the chances that nuclear weapons will be totally renounced in Europe are not high—this is impossible within a strictly regional framework and, as many believe, is undesirable by virtue of the need to keep the "last argument" in case some unforeseen circumstances arise. At the same time, it may be assumed that after considerable reductions of Soviet and American strategic offensive weapons have been accomplished, preconditions will emerge for the beginning of a dialogue (with the participation of France and Great Britain) on the problem of minimum deterrence.

Expanding Multilateral Cooperation

The establishment of an international political system in Europe also involves the development of those institutions and procedures which will guarantee an interaction between all states of the region or between a considerable part of them.

The Helsinki process—the CSCE—is what is primarily meant here. The effectiveness and significance of this mechanism may be enhanced along several lines—first and foremost, through spreading its authority into new spheres of interrelations between the countries and peoples of the continent and also through its institutionalization and

structuralization. It may be expected that the activity within the framework of the CSCE will acquire a more harmonious and orderly character; decisions will be adopted on creating a permanently functioning organizational mechanism (for example, in the form of a secretariat), forming special multilateral organs which will elaborate and implement those cooperative projects that are all-European in character (committees, commissions, or centers with an extensive network of group of experts), holding, on a regular basis, meetings at the level of ministers and representatives of parliaments, and so forth.

Perhaps, in the course of time, the Helsinki process will acquire some features of a "classical" system of collective security, as it is traditionally understood (something for which the League of Nations was once created). However, the functioning of CSCE in precisely this capacity would, apparently, only be moderately effective (at least in the foreseeable future) because of the rule of consensus and a quite broad circle of participant states. In all probability, the mechanism of the CSCE will be aimed not so much at settling conflicts between states as at intensifying their interaction and interdependence and gradually elaborating normative principles, rules of behavior, and so forth which would be common for all its participants.

The Council of Europe may also be actively used for accomplishing an interaction between states within the framework of the entire region; the Eastern European countries will become its members in the foreseeable future and, in all probability, the Soviet Union will soon follow suit. This structure, which embraces a whole complex of successfully functioning institutions, is better organized and more productive than the CSCE, and this makes them somewhat in opposition to one another and could be used as an argument against excessively "bureaucratizing" the Helsinki process. A further significant distinction lies in the fact that new members of the Council of Europe will have to integrate into the already existing system of mutual agreements, obligations, and so forth; whereas within the framework of the CSCE, these are elaborated by all its participants on equal grounds. Finally, American participation in the Council of Europe is not envisioned (unlike in the CSCE) which makes this organization "more European," although this may result in an undesirable alienation of the United States from political development in the region.

In principle, these two mechanisms may interact and mutually complement one another in the development of general regional cooperation, formation of the "European legal space," "European humanitarian space," and so forth. Nor can it be ruled out that parallel independent structures might emerge which will have a more restricted and purposeful destination (for example, for dealing with ecological questions). Increasingly broad

functions could gradually be given to the institutions being created—to the extent of transforming them into supranational organs.

Along with the development of cooperation within the all-European framework, its activation at a subregional level is also possible. So far, the configuration and intensity of subregional interaction is not very clearly defined; this may concern Baltic countries (with the participation of the three Baltic republics), three Central European countries of the Danube Basin (Austria, Hungary, and Czechoslovakia), a wider "zone of cooperation" between Baltic and Adriatic countries (with the possible involvement of Poland, Italy, and Yugoslavia), and Balkan states (Bulgaria, Yugoslavia, Greece, Romania, Turkey, and Albania).

In connection with the development of subregional structures, are there any grounds for fearing mutual rivalry between them, rivalry which is capable of bringing back memories of the Bismarckian "nightmare of coalitions"? In my opinion, this type of association with the past would be too straightforward. Of course, the very fact of the emergence of subregional structures may, to some extent, be regarded as a response by their member states to those changes in the international environment which may be potentially threatening for them (for example, on the part of that very Germany which is gathering strength). However, this is primarily not so much a matter of confrontation with regard to anyone, as one of mobilizing internal resources for ensuring cooperation between the participants. In this sense, the activation of ties at a subregional level may play a stabilizing role.

A new stage is opening up in the international political history of Europe. The continent is ceasing to be either a field for ideological confrontation, which has remained the core of interstate relations over several decades, or an object for geopolitical rivalry between the superpowers. As a result, the possibility of a military conflict breaking out on the continent is becoming sharply reduced, and a general normalization of international relations is taking place.

At the same time, three fundamentally new elements are emerging within the international political configuration taking shape on the continent. The crisis situation in the Soviet Union is creating serious problems for its full-fledged participation in the regional system; resolving these problems is not so much a foreign-policy as domestic task for the Soviet Union. Eastern Europe is accomplishing a large-scale reorientation and, at the same time, is becoming a zone of potential instability. The unified Germany is joining the ranks of the region's most influential *dramatis personae* and this, during a transitional period, is capable of giving rise to a certain amount of apprehension on the part of other participants in international life without, however, ruling out the possibility that, in the long run, this state will play an important stabilizing role.

Diverse mechanisms for multilateral interstate interaction will function in Europe—coexisting, changing, cooperating, and, in some ways, competing with one another. The most viable of them are the EC, NATO, the Council of Europe, and the CSCE. These structures form an institutional framework of the regional international political system and will serve as an additional means for guaranteeing its stability.

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Reforms in China: Problems and Contradictions

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[Article by Lev Petrovich Delyusin, doctor of historical sciences and head scientific associate of the Institute of the World Socialist System, USSR Academy of Sciences]

[Text] After the events in Tiananmen Square (in June 1989), when the student movement for the democratization of the sociopolitical system and for a more intense struggle against bureaucratism and corruption was crushed, many Sinologists decided that the reform in China had failed and that the conservative forces responsible for stopping China's progression toward democratization and economic perestroika had won. They were convinced that China had left the road of reform and had begun moving in the opposite direction from the Soviet Union and the countries of Eastern Europe.

Statements about the departure from the path of reform can also be heard in China itself. This is attested to by the press' description of the views on the departure from the earlier line of reform and the open-door policy as mistaken ideas. The new Chinese leadership has constantly asserted that it will continue pursuing the policy of reform in the economic sphere and promoting the intensification of the reforms and that a return to earlier methods of economic management is out of the question. Nevertheless, there are people in China who are suspicious of the official assurances and who interpret the actions to restore order and to improve economic conditions as a return to authoritarian methods of economic administration.

What is the basis for these opinions and judgments? Why was the excitement over the success of the reforms in China replaced so abruptly by disappointment with their results and pessimistic views of the prospects for the country's future development?

I

If we examine actual economic policy, we can see that today it is distinguished by broader centralized planning, the renunciation of wage reform, the institution of strict price controls, and the closer supervision of individual

labor and private enterprise. Administrative methods are predominant in national economic management.

Although the new CCP leadership declared war on corruption, it has effectively stopped the process of democratization even if it still has not actually given up the reform of the political-administrative system.

A campaign against so-called bourgeois liberalism has been launched in the ideological sphere. Many of the theoretical premises substantiating the need for economic and political reforms are being denounced in the press. Furthermore, several articles have questioned the need for reform and have derided those who "put their faith in the omnipotence of reforms."

The "bourgeois liberals" are being accused of allegedly advocating the restoration of capitalism by demanding the complete freedom of market relations, the restoration of private ownership, and the institution of a parliamentary structure. All of these accusations are based on isolated quotations from unknown and unpublished materials, which makes it impossible to judge the actual views of those who are being condemned in the Chinese press today. In any case, the "bourgeois liberal" views which are being criticized in the Chinese press seem extremely cautious and moderate in comparison with the opinions that are published in Soviet magazines and newspapers and in the press of East European countries.

It is a significant point that when propaganda tries to scare the public with the threat of the restoration of capitalism, a large part of the population is not afraid. After 40 years of development along the "socialist" road, the Chinese had an opportunity to find out about the material standard of living of the laboring public in capitalist countries and about the level of democratization in sociopolitical life there and realized how far they had fallen behind other countries in the economic and political sense. The example of Taiwan, where the economy developed on the basis of different principles from those of the mainland, has had a particularly strong impact on the hearts and minds of the Chinese. The press has condemned the remarks by the Chinese workers who have asserted that they would prefer to be exploited by capitalists as long as they could live the way the workers live in Taiwan, Japan, and the United States. The Chinese press calls these observations mistaken ideas and assures readers that the high standard of living in the capitalist countries is no proof whatsoever of the advantages of the capitalist order.¹

Official propaganda is making every effort to revive the cult of Mao Zedong. The soldier Lei Feng, a symbol of the unquestioning fulfillment of the "great helmsman's" orders, the example of asceticism and self-sacrifice whose name disappeared for a while, is once again being held up as a model for widespread emulation, and the young people of the country are being advised to follow his example. The spirit and style of Yanan, connected with

appeals for the strictest economy and for perseverance in the face of deprivation and difficulty, are being glorified.

The attitude toward Da Qing, the oilfields which were held up as a model of industrial development according to Mao Zedong's recipes in the 1960s and 1970s, is being revised.

Former General Secretary Zhao Ziyang of the CCP Central Committee is being accused of pandering to "bourgeois liberal" ideas and of violating the "four fundamental principles" (socialism, dictatorship by the proletariat, Marxism-Leninism and the Thought of Mao Zedong, and the leading role of the CCP).

As far as these accusations are concerned, they distort the views of Zhao Ziyang, to put it mildly. A reading of his report to the 13th CCP Congress reveals that he underscored the need for the constant observance of these "four principles." As for the principles themselves, they have been invested with different socioeconomic and political meanings at different times. During the Cultural Revolution, for example, many CCP leaders, including Deng Xiaoping, were defamed in defense of these principles.

The Cultural Revolution demonstrated how easily the banner of revolutionary socialism and communism could be used to launch a struggle for the reinforcement of feudal-fascist practices, the suppression of democracy, and the authorization of the unlawful, arbitrary, and brutal treatment of the individual and the society. It is no coincidence that the main arguments in the years following Mao Zedong's death concerned the proper target of ideological and political struggle: bourgeois liberalism or feudal ideas? Conservative officials have stressed the importance and value of the struggle against bourgeois ideology, while radicals have advocated struggle against feudal views and institutions. Both groups support socialism: Those who did the shooting in Tiananmen Square and those who were being shot at. Therefore, the issue is not the principles themselves, which were defended by Zhao Ziyang and by his opponents, but the specific meaning with which these slogans are endowed.

In general, the Chinese political culture is distinguished by the use of the same slogans following changes in actual policy. This creates the semblance of continuity, although policy can undergo fundamental changes. The same slogans are given different socioeconomic connotations. This is true of the ideas of the "four fundamental principles," the spirit of Lei Feng, the "hundred flowers," etc. It would seem that party and economic personnel might become disoriented, but it has become a tradition to decide what the leadership wants the familiar slogans to mean by holding exclusive meetings and issuing secret decisions and instructions so that local personnel will stay on the right track.

Many of the theoretical views expressed in Zhao Ziyang's report to the 13th CCP Congress have been concealed, distorted, or criticized. The appointment of Jiang Zemin to the office of general secretary of the CCP Central Committee is now used as the initial point of reference, and people rarely dare to make references to the decisions of the 13th congress. The change of leadership is associated with the commencement of the policy of regulation and strict administrative control over economic affairs, which, according to official statements, does not mean the renunciation of the policy of reform but, rather, the intensification of reforms.

If the final goal of reform is seen as the complete replacement of administrative-bureaucratic methods with economic and market levers, a variety of forms of ownership, and the democratization of the political system, it is clear that there has been a definite departure from this goal. We must remember, however, that when the CCP leaders announced their intention to develop commercial relations and create a market mechanism, they always said that they would strive to use planning and market principles and that the combination of these should stimulate heightened production activity and secure the rapid development of the national economy. From the very beginning, the debates focused on the most efficient relationship between the plan and the market. The question has never been answered.

When people describe the present state of the Chinese economy, they often call it a mixed economy, meaning that it operates on the basis of a combination (or synthesis) of planning and market mechanisms. In reality, however, we must admit that the combination of the plan and the market as factors regulating the process of economic development exists only in theory. It is still too early to speak of a combination or synthesis. Steps are being taken in this direction, but no effective methods of controlling the economy with planning and market levers have been found yet. Furthermore, there is no definite answer to the question of their efficient correlation. The actual economic policy has not acquired any constant or stable features yet, and at this time directive planning, originating in the capital or in provincial centers, still determines the guidelines and speed of the development of the main branches of the national economy. The plan and the market have not begun interacting on an equal basis yet, and the mechanism of this interaction has not been discovered yet. The old (totally planned) and new (market-based) systems are not combined and do not interact. They do coexist, but they interfere with each other instead of supplementing one another. The old form of economic administration still prevails and will not give the market mechanism a chance to completely determine the economic situation in the country. Although the bureaucracy acknowledged the need to combine the plan with a market, it is actually trying to smother the market in the cradle or confine market relations to such a narrow framework that it would minimize their effect on economic activity.

Although we have to admit that the Chinese leadership definitely deviated from its earlier domestic policy after the events in Tiananmen Square and that conservative tendencies temporarily gained the upper hand in the Chinese leadership, we are nevertheless not inclined to agree with the pessimistic views of the prospects for China's socioeconomic and political development. The reforms in this country represent a lengthy and complex process, during which there will be bold advances, regression, and periods distinguished by no movement at all, neither forward nor backward.

The 10 years of reform in China led to great changes in the life of the Chinese people. During the years following the 3d CCP Central Committee Plenum (December 1978), a great deal of theoretical and practical work was performed in China to renovate the economic and political systems, and these accomplishments will not be easy to nullify.

New ideas about the socioeconomic content of socialism and the means of its achievement came into being. Deng Xiaoping's theory of socialism with Chinese attributes and the theory adopted at the 13th CCP Congress on the initial phase of socialism signified a departure from the Stalinist-Maoist model. Such concepts as commercial relations, the pluralism of forms of ownership, competition, and risk—i.e., everything that was considered to be characteristic of only the capitalist society in Mao's day and which had to be avoided at any cost in the socialist society—won general approval in China.

The wage-leveling principle and the ultra-leftist "common pot" theory Mao Zedong had preached were criticized. There was an acknowledgement that the wage-leveling principle had restricted and impeded the development of productive forces in the country because it had lessened the laboring masses' enthusiasm for work and had kept the people from displaying their creative potential. Although the principle was criticized on the level of theory and in political documents, however, it essentially continued to be practiced. Furthermore, when we speak of the wage-leveling principle, we must remember that this principle was and is practiced on specific levels of the hierarchy. Wage-leveling was practiced within the confines of a specific social group or occupational rank. Personnel in a particular category received equal compensation, but a rise in rank was accompanied by a commensurate increase in material benefits.

By supporting this form of hierarchical wage-leveling, the bureaucracy encouraged opportunism and cultivated professional zeal among party and state functionaries, which was compounded by the desire to retain their current status and thereby retain the right to a large piece of the bureaucratic pie.

As a result of reforms in rural China, the people's communes were dissolved and the contract system was instituted. Great changes were also seen in cities, where industrial and trade enterprises began experimenting

with leases, contracts, and joint-stock companies. The sphere of centralized planning was reduced, the rights of provinces were expanded, and the autonomy of many enterprises was augmented. All of this produced good results and stimulated the enhancement of economic effectiveness and the growth of production in agriculture and in industry.

In the opinion of Chinese economists, the intensification of the reforms, a search for new methods of economic management, and the expansion of market relations were warranted, but the old system continued to have the decisive effect on the course of events and to limit the sphere affected by the reforms.

Serious difficulties arose in the Chinese economy in the middle of the 1980s, and these affected the consumer market. A slump in agriculture, low effectiveness in industry, the growth of unemployment, the abrupt rise in prices, the disparities in the development of various branches of the national economy, corruption, and speculation—all of these negative developments gave rise to widespread public dissatisfaction and served as the objective basis for the student riots of spring 1989. It must be said that difficulties of this kind had also arisen earlier, but by the end of the 1980s they were particularly widespread.

When the reasons for these difficulties were debated, some researchers and politicians said that the reforms had been carried out too quickly, while others said the difficulties had arisen because the reforms had been carried out too slowly and inconsistently. The arguments are still going on today. There was agreement on the need to supplement the economic reforms with a radical perestroika of the political system, because the existing system no longer corresponded to the new forms of economic relations and would impede the further progress of the reforms. The issue of political reform, which began to be discussed after Deng Xiaoping's speech in 1980 and then ceased to be discussed after the student riots of 1985-1986, was the topic of heated debates.

The new Chinese leadership which was formed after Zhao Ziyang was replaced has announced its commitment to the cause of reform and stressed the need for the intensification of the reforms. At the same time, it has made certain adjustments in economic policy for the purpose of improving the state of the economy. It has instituted stricter price controls, has taken steps to regulate the activities of the private and collective sectors of the economy, and has radically reduced investments in capital construction, which, according to the press, has already led to lower prices and more stable conditions in the consumer market.

II

When Chinese economists analyze the factors impeding the stable and consistent development of the economy, they list the excessively high rates of industrial growth and the inefficient economic structure, which is what disrupts the balance between industry and agriculture. Steps were taken in the beginning of the 1980s to balance the rates of

development in heavy industry, light industry, and agriculture, resulting in a state of relative equilibrium in these sectors of the economy. A correlation of around 2.8:1 between rates of industrial development and rates of agricultural development was called normal and necessary. This policy, however, was violated soon afterward. The correlation rose to 4:1 in 1985-1987 and soared to 6.7:1 in 1988.² This violation of the balance is one of the main causes of the economic difficulties and the strain on energy and raw material supplies.

The underdevelopment of agricultural production naturally affected the state of affairs in industry and in the economy as a whole. The reduction of capital investments in agriculture led to a situation in which the yields of grain and cotton did not increase for 4 years. They stayed at the 1984 level, and this caused cities as well as rural communities to suffer.

At this time the leaders of China have decided that the axiom "agriculture is the foundation of the national economy" needs material reinforcement and that money should be invested in farming. They have acknowledged that the stable growth of agriculture will necessitate alleviating the oppressive burden on rural communities, offering material and technical assistance to the peasantry, and providing peasants with stronger incentives to produce more grain, cotton, and commercial crops. The modernization of agriculture should cease to be a slogan and become a reality. This is the opinion of many Chinese agricultural experts. This will necessitate the tangible, and not simply verbal, support of agriculture.

There are some economists who are waging a struggle against "bourgeois liberalism" on the level of theory and are blaming the difficulties of recent years on weaker centralized planning. The granting of more sweeping powers to regions and autonomy to enterprises, the contraction of the sphere of directive planning and the expansion of the sphere of guiding (or recommending) plans, and the augmentation of the market mechanism's role have led, in their opinion, to more serious disparities in the national economy, rising prices, and other economic difficulties. They feel that this situation can be rectified by reinforcing the planning mechanism and reducing the role of the market, the importance of which, in their opinion, was unjustifiably exaggerated. It is precisely with the augmentation of the role of directive planning that they associate their own hopes for stable economic conditions in the country, stressing the need for scientifically sound plans and stricter control over their fulfillment.

There are also some economists who will not speak directly in defense of market relations but do advocate a combination of planning and market regulation, assigning the main role to the plan.

The planned system, according to some researchers, is characteristic of socialism. China, however, is in the initial stage of progression toward socialism, and therefore the objective conditions for direct and total planning do not exist yet. Public ownership, constituting the basis of the national economy, creates the possibility of planning, which should maintain a balance between various branches of the national economy in general and guarantee the efficient use of manpower, material resources, and energy so that anarchy and chaos can be avoided.

Planning can secure the observance of the rules of proportion in the development of the national economy, the maintenance of stable growth, the use of limited capital to develop the most important branches of the economy, and the consideration and coordination of different interests in the organization of production and distribution, but this planning must not be too centralized or too inflexible. In view of the fact that production is commercial, there must also be a market, which can play a multifaceted positive role.

Supply and demand in the market aid in determining the value of products and the need for them, but the market is blind and reacts after the fact, and this leads to fluctuations in prices and creates disparities. This is why the plan and market must be combined. When directive planning has a broader sphere of influence, the role of the market grows extremely weak. It grows stronger with the guidance form of planning and becomes the decisive factor when centralized planning is eliminated.

If the market is to perform all of the functions of a regulator of the economy, it must be free and developed, but this is not the case in China today. The important thing now is to promote the development of the market, and not to restrict it. In the past China suffered from underdeveloped market relations. The Chinese economy not only needs a free market, but also a relatively stable market—i.e., the kind of market in which a balance is maintained between supply and demand.²

Some Chinese researchers do not agree with the popular opinion that demand should exceed supply in the socialist society and that this is one of the advantages of socialism. They feel that supply should exceed demand.

In a discussion of the present state of the Chinese economy, the journal *QIUSHI* remarked that the economy, in the first place, is still not a market economy, but a planned-commercial entity. It is a well-known fact that not every commercial economy is necessarily a market economy. The socialist commercial economy is not all-encompassing. A market economy is not the same thing as market regulation, because a commercial economy can be regulated by the market without becoming a market economy. In the second place, the market and the plan should play different regulating roles. These two factors can be combined in different ways in application to individual and private economic

endeavors and economic operations using foreign capital. State enterprises are mainly regulated by the plan; collective enterprises are regulated by both. The production of goods not included in the state plan is regulated by the market, and partially also by the plan. The rules of the separation of the spheres of influence of directive planning, guidance planning, and market regulation still need to be studied, and the connections between them have to be defined. The measures needed for the institution of the recommending form of planning will also have to be investigated. (At this time, one-third of all capital investments are regulated by directive plans.)

When Premier Li Peng of the State Council addressed the All-China Conference on the Economic Reform, he stressed the need to combine the plan with the market and said that total planning and a high concentration of administration would suffocate the economy. On the other hand, a pure market economy could create economic chaos and social instability, which would not be in China's national interest. He remarked that an efficient combination of planning and market regulators suitable for China would be extremely difficult to find and that the search was already under way. The main thing was to secure the stable development of productive forces, precluding any abrupt movement downward or upward.

The matter is still being debated, and the debates are now being influenced by the constant attacks on "bourgeois liberals," who were allegedly trying to revive capitalism in China when they were publicizing the merits of the market economy. This is why some researchers are trying to avoid using the term "market relations" and are saying that economic levers have certain advantages over administrative planning. They feel that stricter administrative control of economic processes, which is justified in times of trouble, can solve only the problems lying on the surface and cannot help in resolving the fundamental difficulties and obstacles impeding economic growth. The supporters of this point of view stress that the development of commercial relations and the observance of the law of value will produce a stronger economic impact than directive planning.

The campaign against "bourgeois liberalism" has included attacks on the market mechanism and also on private property and praise for the advantages of the planned system and state (or so-called nationwide) ownership. The Chinese press insists that the market and the privatization of property will be a departure from the principles of socialism, will enrich some while impoverishing others, and will eventually restore capitalism. The defenders of the old practices, however, have said almost nothing about economic effectiveness and about the quickest methods—total control or freedom—of developing productive forces, using the achievements of the scientific-technical revolution, and quickly raising the standard of living.

The Chinese press has never stated directly whether it would be preferable to uphold the authority of ideology and not compromise principles or to assign priority to

the kind of social and political conditions that would guarantee economic growth and a rise in the standard of living, even at the cost of violations of ideological tenets. Should the Chinese keep the faith and stay poor, as Mao and other ideologists of the Cultural Revolution demanded, or should they depart from old canons and "deviate from the only correct road" by turning onto the road to the kind of life the human being deserves?

This question has never been answered, and it is the subject of arguments which cannot be conducted openly today. Reports of events occurring in the Soviet Union, the GDR, Poland, Hungary, and Czechoslovakia do reach the Chinese society, however, and progressive forces in this society are watching the changes in those countries with hope. The present Chinese leaders are seriously disturbed by these changes. They have spread the rumor that the "peaceful evolution" in the socialist countries is a slide toward capitalism. These processes are allegedly the result of sinister imperialist plots, and not a consequence of the internal development of the countries. Few people in China today, however, believe in imperialist plots.

It is indicative that the top-level leadership allows the attacks on those who support the market and the expansion of the private and individual sectors, but has also stated the need to authorize and develop these sectors as supplements to state forms of production.

During the arguments over private and state (or public) property, the idea that "public ownership hinders the development of productive forces and lessens the enthusiasm of workers and peasants to work" is being criticized. The defenders of state ownership argue that only state ownership allows workers to be the masters of the means of production and secures the distribution of products according to labor. Although they admit the possibility of the existence of private and collective ownership, they feel that these forms should function within confines set by public—or, in essence, state—property. The principle of wage-leveling and the "big pot," in their words, do not stem from public ownership, but are the product of ultra-leftist distortions of socialism. This is how they answer the people who assert that bureaucratism is organically engendered by state ownership's absolute dominion.

The theorizing about the pernicious role of market relations and private ownership and the criticism of "bourgeois liberalism" in general have produced negative results. The Chinese peasants have begun to worry that this might indicate plans to eliminate the contract system and return to the communes.

The people engaged in individual labor and private enterprise are also wondering about their future. The Chinese press published several articles in an attempt to calm the public and to prove that the leadership had not given up the program of reform, that a return to earlier practices would be impossible, and that all of these actions were being taken merely to restore order.

III

The CCP leaders have recently stated that political reform will be conducted, but slowly and cautiously, so that there will be no confusion or chaos. They have stressed, however, that the Chinese people, by virtue of distinctive national traits, are not ready for democratic forms of sociopolitical organization.

In an article in *QIUSHI*, for example, Zheng Hansheng and Feng Zhibin, scientific associates from the People's University of China, reminded the readers that the Cultural Revolution proved that "grand-scale democracy," which recognizes neither heaven nor the law, can only undermine the development of socialist democracy and violate the democratic rights of the people. In their words, the following objectives were attained during the 10 years following the 3d CCP Central Committee Plenum: The functions of party and government administrative bodies were separated; power was delegated to administrative bodies on the lowest level; public oversight of their activities was instituted; a system of consultation and dialogue was established; an election reform was carried out (regularly scheduled elections; the cancellation of lifetime appointments); a system of direct elections on the district level, and even with alternative candidates, was introduced.

In 1988 the election law was amended to grant all party and public organizations the right to nominate candidates for deputy. This can also be done by groups of citizens (at least 10 people). The choice of candidates heightened the responsibility of deputies to the lower levels.

The authors of the article do not agree with the opinion that the political reform is taking too long. They feel that excessive haste could create instability in the society, and the maintenance of order and stability is the main guarantee of the success of reforms. A handful of conspirators could use the political reforms to overthrow the socialist order; this is attested to, in their words, by the student riots. The disease of democratic extremism can lead to anarchy and disrupt the economy. It will take a great deal of time and effort to teach the people the meaning of freedom and autonomy and simultaneously encourage them to respect and observe the law.

Both bourgeois democracy and socialist democracy were brought to China from outside the country, the authors assert, and this is why many people do not know the purpose of democracy or realize the difficulty of achieving it in China. Many people feel that democracy means absolute permissiveness: Do whatever you want, without feeling bound by law or discipline.

Excessive haste in carrying out political reforms, in the authors' opinion, will also revive clannishness and reinforce sectarian and group allegiances. The clan mentality in the rural community has been weakened by the growth of the commercial economy, but clan relations are still dominant in many regions. Under these conditions,

democratic unions could legalize the activities of clans and sects, and this would give rise to unrest.

Excessive haste could also lead to stronger regional affiliations and create the danger of federalist and autonomist biases, which would do more harm than good. A centralized leadership is essential. Otherwise, regional biases will gain the upper hand. The scientific associates from the People's University stressed that stability and democracy could be secured only under the supervision of the CCP, representing the interests of all the people.

The authors also acknowledge, however, the inaccuracy of the statements that the conditions for democracy do not exist in China and that the people are not ready for democracy. Economic, scientific, and technical development creates the necessary conditions for democracy, and the reform of education, its universal availability, and the elimination of illiteracy will help to cultivate the necessary qualities in the people. The general conclusion of the authors of the QIUSHI article is that all of this must be done "not too quickly, but not too slowly either."⁵

Official statements stress that the measures taken to restore order and to institute stricter control are temporary, and that they will produce the necessary effect in the next 3 years (or a slightly longer period)—i.e., they will gradually lower the rate of inflation, gradually lower the rate of increase in retail prices to 10 percent or below, reduce the amount of money issued, eliminate the financial deficit, etc. Desirable rates of production growth have been set at 5-6 percent. Restoring order in the economy should also promote agricultural development and relieve the strain on energy and raw material supplies. These measures will make it possible to create the kind of system that will be regulated on the macrolevel by a combination of planning and market mechanisms. Investigations in this area will be continued.

The Chinese leadership has warned the people of difficult days ahead, stressing that it will take a few years to stabilize the situation in the country.

This will mean, according to explanations from above, stricter control over the expenditures of the bureaucracy and public organizations. It will be necessary to limit expenditures on the reception of guests and on gifts, stop building hotels, furnish existing hotels more modestly, and suspend all non-essential construction projects. Enterprise directors have been ordered not to authorize any salary increases not connected with higher labor productivity.

The official explanations go on to say that the appeal for "restraint" does not mean a lower standard of living for the population. The closure of some enterprises and the partial reduction of production at others, however, have already affected the wages of workers and have lowered their standard of living. Meanwhile, peasants and rural

enterprises have been the victims of outrageous extortion, and this has affected their financial status and strengthened their doubts about the accuracy of current policy.

Unsolved problems include the problem of the relationship between proportional accumulations and proportional consumption. We know that prominent Chinese economists felt that excessive proportional accumulations were the main reason for the economic difficulties in China at the beginning of the 1980s. In their opinion, the disparities in the national economy and the lower standard of living were caused by the fact that accumulations represented from 30 to 50 percent of national income. They said it was unacceptable and economically harmful for accumulations to exceed 25 percent. Today, according to reports in the Chinese press, the figure is 30 percent. Therefore, the problem has not been solved yet. To a certain extent, this is also connected with the establishment of the correct relationship between the center and the provinces.

There is no question that the granting of autonomy to the provinces promoted their heightened economic activity and stimulated this activity on the local level. Because of the low level of economic knowledge, however, incompetence was compounded by regional biases. In the race for high gross indicators—local administrators associate these with their own prestige—provincial officials are ignoring the center's instructions to reduce capital construction and are investing money and materials in the construction of inefficient enterprises producing goods of poor quality for which there is no demand. The population, however, is being pressured by local authorities to acquire these goods and is forbidden to have similar goods shipped in from other locations.

It is not only the race for high gross indicators that motivates local administrators to keep building new plants and factories and ignore the appeals and orders of the center. They have the difficult job of guaranteeing the employment of the population. Each year millions of young people join the ranks of those who are "waiting for jobs." They need jobs, but industry, transportation, and trade are suffering from a manpower surplus today. This is why local administrators see the construction of new enterprises as an important way of creating new jobs for the younger generation. In their efforts to minimize unemployment, provincial officials have to ignore the center's instructions to reduce capital construction volumes.

The problem of relations between the center and the rest of China is not new. It was the subject of heated debates even during the Cultural Revolution. These debates are still going on, but no reasonable solution has been found yet.

There are many other unanswered questions in China. Here are a few: the autonomy of enterprises and the

coordination of relations between them; the maintenance of high growth rates and the guarantee of economic efficiency and good product quality; the struggle against wage-leveling and the institution of social justice; the reduction of capital construction and the resolution of employment problems; the revision of pricing practices and the impermissibility of an abrupt decline in the public standard of living.

All of these matters were discussed freely and earnestly by Chinese scholars until the campaign was launched against "bourgeois liberalism." Today these debates are limited by ideological restrictions, and this naturally complicates the search for more efficient and effective methods of solving urgent problems in the socioeconomic development of the country.

One of the adverse effects of the campaign against "bourgeois liberalism" is the tendency to impose a gag rule on all scholars who do not agree wholeheartedly with official propaganda, thereby excluding the best minds in the country from the discussion of important aspects of socioeconomic and political development and giving them no chance to express their point of view if it differs from the opinions imposed on the people from above. In this way, the Chinese leadership is cutting off its access to the intellectual potential of the country by restricting the creative thinking of the scholars who displayed the desire and incentive to find optimal ways of attaining the objectives of national modernization during the period of free debate. The present campaign will certainly have an effect, certainly a negative one, on young people who might have been interested in a career in the social sciences. After losing their belief in the possibility of freely expressing their opinions, they will either retreat into their own world or take the easier road of conformity, which will cost the society a great deal.

This already happened in China in the 1950s, at the time of the struggle against the "right wing" and during the Cultural Revolution, when the intelligentsia was muzzled and humiliated and was forcibly excluded from sociopolitical and cultural life in the country. The Chinese people paid a high price for the implementation of the Maoist tenets that "dunces can supervise specialists" and that "reds" had priority over "the educated."

Today, in spite of the bitter fruit the earlier campaigns produced and the obvious injury they inflicted on national development, another effort is being made to convince young minds that the main thing is to be "red"—i.e., ideologically committed—while the specialty or profession is only of secondary importance. This is why the Chinese press is printing appeals for the "revival of the spirit of Lei Feng"—the spirit of blind and unquestioning obedience and the mindless memorization of quotations from the speeches of Mao Zedong.

We should repeat that the content and forms of the search for ways of intensifying the reforms were seriously influenced by the recent processes in the countries of

Eastern Europe. Chinese propaganda has taken a defensive position in an attempt to protect the society, especially youth, from the "pernicious effects" of "peaceful evolution" and capitalism. Much more space in the press is being devoted to propaganda about the advantages of socialism and the accuracy of the policy line of the CCP leaders and the Thought of Mao Zedong, which, in the opinion of the Chinese leadership, can guarantee order and stability in the society.

With the aid of administrative and ideological measures, the new Chinese leadership managed to make some progress in the restoration of order in the society and the economy, but many economic and political problems have not been solved yet, and this means that the social atmosphere conducive to unrest, especially among students, still exists.

The establishment of stricter control over the thoughts and feelings of the intelligentsia and students and the close monitoring of trains of thought can only produce an external impact and will actually cause dissatisfaction and protest to take more covert forms. In China today, silence is not a sign of consent. It is evidence of the dissent which is accumulating and growing stronger for lack of a normal outlet. Part of the Chinese intelligentsia is resorting once again to hypocrisy and insincerity as tried and tested means of survival.

Past experience has shown that the extensive and consistent introduction of new forms of economic life undermines the traditional political system, but although this system might verbally acknowledge its weaknesses and flaws, it nevertheless defends its right to exist and keeps a tenacious grip on power and on the right to issue commands and orders. Therefore, it is not surprising that the bureaucracy is discouraging the continuation of the economic reforms and resisting political perestroika in an effort to survive. When an economy controlled with the aid of slogans and political directives makes the transition to economic levers, an unwieldy bureaucracy becomes unnecessary. This means that the CCP will not be able to accomplish the thorough modernization of its country and take a place among the world's leading countries without the further intensification of the economic reforms designed to expand market relations while retaining some of the state's regulating functions, and this, in turn, will be impossible without a political reform designed to democratize the existing system.

The present CCP leadership realizes that it cannot go back to the earlier Stalinist-Maoist pattern of socioeconomic development. Jiang Zemin and other Chinese leaders constantly assert this in their speeches. China has already been drawn into the perestroika process, and a reversal of policy is already impossible. By the same token, now that Chinese administrators have encountered difficulties, they are afraid of taking the risk of rapid advancement toward the modern type of market economy. Nevertheless, the idea of reform has not been rejected. It is no wonder, therefore, that the deceleration of the reform process is viewed as an "intensification."

which is supposed to lead to stability and order and promote further advancement along the road of economic and political reform.

This process cannot be completed quickly because, as past experience indicated, the job of dismantling the old system turned out to be much more complicated and more difficult than it once seemed to be.

Footnotes

1. QIUSHI, No 22, 1989.
2. RENMIN RIBAO, 5 February 1990.
3. QIUSHI, No 23, 1989.
4. RENMIN RIBAO, 25 February 1990.
5. QIUSHI, No 20, 1989.

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Soviet Policy in Asia-Pacific Region Viewed

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[Article by Rafik Shagi-Akzamovich Aliyev, doctor of historical sciences, acting director of the Institute of Economic and International Problems of Ocean Development (Vladivostok): "The Soviet Union in East Asia: Reality and Problems"]

[Text] *The following materials presented for the reader's attention are devoted to an appraisal of the Soviet Union's present and future policy in the Asia-Pacific region; they have been written by two authors whose approaches to the subject differ considerably in a number of instances. It is the opinion of the editors that a comparison of their points of view can contribute to the elaboration of a more objective notion with regard to the nature and ways of resolving the problems which face our country in this area of the planet.*

The speech delivered by M.S. Gorbachev in Vladivostok (July 1986) was deservedly viewed as marking the beginning of a new stage in relations between the Soviet Union and the countries of the Asia-Pacific region (ATR). It contained, for the first time, a detailed description by the Soviet side of the situation in this vast area of the globe and a formulation of the task of creating here a regional system of comprehensive security. The package of initiatives put forward by the Soviet leader in his speech in Krasnoyarsk (September 1988) was intended to contribute, in a practical manner, to the transformation of the ATR into a zone of peace and cooperation.

The following question arises: How much progress has been made on the issue of security and cooperation in the region since these new ideas and initiatives were proclaimed? If one is to judge by the majority of the

appraisals made in the Soviet press, the peoples of the ATR have reacted enthusiastically to our proposals, many of which are being actively implemented. It would appear that certain facts confirm such optimism. It is sufficient to recall M.S. Gorbachev's visit to the PRC, which was viewed as an historic event not only in the system of Sino-Soviet relations but, also, in the political life of the whole world, the increased contacts between the USSR and Japan at foreign minister level, the intensification of contacts between the USSR and certain ASEAN member countries, and the development of our economic cooperation with South Korea.

Nevertheless, everything here is far from being as straightforward as it might seem at first glance. Indeed, if one carefully analyzes the Vladivostok and Krasnoyarsk initiatives, it becomes clear that a highly significant part of them concerns problems of military security in the region, the state of which depends, in the first instance, on the positions assumed by the United States and Japan. However, these positions do not attest to any enthusiasm on their part with regard to the Soviet proposals. There are very frequent indications in our press of the unwillingness of the ruling circles in the United States and certain of its allies to react positively to the constructive policy and peace-oriented initiatives of the USSR.¹

Given that such an approach blocks, to a large degree, the possibility of implementing this package of initiatives, we believe that the principal question precisely revolves around understanding why these circles oppose the implementation of such useful initiatives. Let us try to fathom this.

The ATR—A Region Without Borders or Borders Without a Region

It is unlikely that anyone will start to dispute the following simple truth: To implement a regional policy, it is essential to know, at least, the borders of the appropriate regions if only for the reason that each of them has its own specific features. It is sufficient, for example, to compare the European region with the Middle East. Therefore, let us try to answer the following question: Where is the ATR located?

If we refer to the report (1985) of former U.S. Secretary of Defense, C. Weinberger, it turns out that the ATR comprises the countries of East and Southeast Asia and Oceania. Official Japanese sources add to these all the American states located on the Pacific coastline. Some Chinese scholars believe that the ATR comprises the countries of East and Southeast Asia and Oceania while others also include South Asia in the region. From their point of view, the United States and Canadian states located on the Pacific coastline are included in the region but, at the same time, almost all of them exclude the countries of Latin America from the ATR.² There is also no unity of views on this question among Soviet scholars and politicians. Obviously, it is not by chance that M.S. Gorbachev, in his speech in Vladivostok, stated that 36

states comprise the ATR while, in his Krasnoyarsk speech, this number was already 50.

Someone may ask: Ultimately, what difference does it make where the borders of this region lie? However, the whole point is that the vagueness of the notion of the ATR calls into question a number of fundamental conclusions, including that concerning the significance of this region in the world economy and in world politics. How, for example, are we to understand the frequently cited indicators which put the ATR's share in world industrial output at 50, 55, or even 60 percent? At the same time, we observe that the USSR's share is not taken into account in any of these three indicators although, geographically, it belongs both to Asia and to the Pacific region; however, the United States' share is included in an analogous indicator despite the fact that this power is, for the most part, drawn both economically and geographically toward the Atlantic Ocean. How can we, in general, assess the economic potential of the ATR when not only the United States but also many other countries associated with this region simultaneously belong to other regions? Such countries include those of Latin America, Canada, Australia, and the Soviet Union. Even from this point of view alone, all the estimates which have been cited and which indicate the "increasing role" of the ATR in the world are devoid of strict scientific content and, therefore, the conclusions that the future belongs to the ATR and the past to Europe have no sufficient basis to them.

The "globalization" of a region with undetermined borders contains a hidden danger from the military-political point of view. Everyone understands very well that the problem of military and strategic security in the ATR depends, in the final analysis, on the United States, the USSR, and also, to a lesser degree, on two or three powers in the region. For all intent and purposes, this is not a regional but a global problem; therefore the initiatives presented by the USSR, the United States or, let us say, Japan for stabilizing military security by reducing or, at least, not increasing the numbers of strategic forces are perceived in a more abstract manner by the majority of countries in the region than is the case with regard to certain geographical problems which are directly related to the region. Such global questions are ostensibly outside the framework of their foreign policy if only because these countries are not in a position to effectively influence their resolution in any way.

The confusion surrounding the question under consideration is also revealed on the purely regional level. It is obvious, for example, that problems concerning U.S.-Mexican relations are hardly of any great concern to Mongolia or Vietnam while the situation in the Persian Gulf has little effect on the foreign policy of Vanuatu, Nauru, or Tuvalu. Yet, in spite of this, all these countries belong, at least according to certain very broad interpretations, to the same region, namely, the ATR.

Hence, the question concerning the region's borders is not a theoretical game of definitions. It is a question of

practical politics. The scope of the article does not permit us to consider the full spectrum of opinions of scholars and politicians on this topic. However, I would like to emphasize that neither oceanic nor continental principles nor, generally speaking, a geographical approach can form the basis for determining the region's borders. In our view, the principle of economic integration and the presence of common international problems which are viewed through the prism of a systemic approach may represent the most fruitful methods of accomplishing this task.³ By using such a methodological basis, one cannot fail to conclude that the ATR, as an integral region, does not exist.

Today, we have a field of economic integration or, at least, the trend toward forming one in the area of East and Southeast Asia, including Japan, the Asian new industrial countries (NIC), and ASEAN. We will provisionally designate this group of states as the International Economic Region of East Asia (IER EA). As we can see, not one socialist country forms part of this economic region but, if we follow one of the principles of the systemic approach—the principle of compatibility—the Asian socialist countries can be politically combined with those states which are included in the IER EA on the basis of the presence of common international problems (such as, for example, problems of security in Indochina and on the Korean peninsula). Their interaction forms an international political region in East and Southeast Asia which is more extensive than the IER EA.

Analogous formations are visible in the southern part of the Pacific Ocean whose integrator is Australia. A different economic and political specificity characterizes the region of South Asia with India in the center. Finally, the Near East is qualitatively different as it is faced with completely different tasks both on the political and economic plane. Consequently, the amalgamation of all these subregions under one roof—the ATR—means ignoring their qualitative specificity. Without doubt, there is an interconnection between them but it is based on other principles—not on those of integration and common international political problems but on those of internationalization which reflect a different form of economic and political interaction.⁴

It would require a separate article to substantiate in more detail the conclusions regarding the lack of [territorial] integrity in the ATR. Here, I would principally like to draw the reader's attention to the fact that, first, the principle of common sense does not make it possible to accurately determine the borders of the region and, second, without the latter, the policy being implemented in a space without borders is itself doomed to uncertainty, something which is often confirmed in practice.

The Problem of Military Security in East Asia: The USSR and the United States—Two Approaches

In M.S. Gorbachev's speech in Krasnoyarsk, the following question was raised. Why, unlike in other areas of the globe, cannot the Soviet Union arrive at mutual

understanding with the United States in the ATR? Subsequently, a new package of initiatives was put forward which was aimed at strengthening all-Asian security, initially, at least, by not building up the military potentials of the main powers in the region. The response to these as well as to the Vladivostok initiatives is now obvious: The United States and Japan did not support them. What is the reason for this?

Before answering this question, we should remind ourselves that Moscow and Washington are both equally critical in their assessment of the situation in the region, describing it as unstable. They point out identical "hot spots," such as the Korean peninsula, Indochina, and the Philippines. Both sides are in absolute agreement when referring to the "armed buildup" and "militarization" of the region.⁵

Differences begin to emerge when answering the question as to who is responsible for such an unfavorable situation. The United States blames the USSR and its allies while the USSR accordingly puts the blame on the United States and its allies. What are the origins of such opposing positions?

It is common knowledge that the leaders of both powers do not make a single speech on the topic of foreign policy without invoking international security. However, the whole problem resides in the fact that the two sides have a different understanding of international security. For the Soviet Union, it signifies a state of international relations which ensures the national interests of all subjects of world politics on an equal and just basis. The U.S. conception of international security practically coincides with the tasks of the national security of the United States; these tasks call for the formation of such a state of international relations which would fully correspond, first and foremost, to its own interests and, second, to the interests of the whole system of the "free world." As we can see, differences in the interpretation of security on the theoretical level inevitably lead to different approaches in policy. Let us check how this specifically manifests itself in East Asia.

When speaking about East Asia, the official leaders of the United States usually point to three factors which threaten international security (that is to say, the security or national interests of the United States).⁶ The first of these is the threat to the economic order which is connected with problems of relations mainly with Japan and the Asian NIC (first and foremost, with South Korea and Taiwan). The second factor lies in with the threat to "democracy and freedom" which, on closer analysis, signifies the problem of political stability in East Asia, mainly in South Korea and the Philippines. Finally, the third factor is the threat of using force on the part of the "expansionist states," by which is implied the buildup of the military potential of the USSR and its allies.⁷

It is absolutely obvious to everyone, including the United States, that the first "threat" cannot be connected with the actions of the Soviet Union in East Asia

if only for the reason that it "lacks an economic presence" in the region. One can also hardly see the USSR as constituting a "threat" to regional political stability. One has to think that U.S. leaders are fully aware of the fact that, if any political perturbations occur in any of the capitalist countries in Asia (for example, in South Korea or the Philippines), the Soviet Union is in no way connected with them.

That leaves the problem of military security—that sphere in which the Soviet Union is, in principle, in a position to challenge the United States. If one is to believe the statements made by certain military figures, for example, Admiral An. Labrousse [name as transliterated], or the calculations pertaining to the balance of forces in the region provided by the authoritative Japanese publication *ASIAN SECURITY*, the USSR and its allies have superiority over the military potential of the United States and its allies.⁸ In this case, from the U.S. point of view, the buildup of armaments in East Asia can be justified in theory. However, official assessments made by the Soviet side paint a different picture of the balance of forces between the United States and Japan on the one hand, and between the United States and the USSR on the other. It has become apparent from an interview given by the USSR Defense Minister, D.T. Yazov, to *PRAVDA*, that, as far as personnel strength levels are concerned, the United States has superiority by a factor of more than two; it has superiority in large surface ships by a factor of almost four; it has absolute superiority in submarines equipped with sea-launched cruise missiles; it has superiority in naval tactical aircraft by a factor of more than two. At the same time, we have superiority in tanks by a factor of two and in infantry fighting vehicles, armored personnel carriers, and artillery systems by a factor of approximately 1.5.⁹ The presence of almost 300 bases and other U.S. military installations on the territories of Japan, South Korea, and the Philippines and a well-established infrastructure for deploying military power in East Asia even give grounds for the American journal *NEWSWEEK* to maintain: "Today, the strongest military power in the Pacific Ocean is the United States."¹⁰

The deideologization of interstate relations is one of the most important components of new political thinking. As practice has shown, this component "works" quite well in resolving problems of strategic disarmament. There is no place for ideology at this level of world politics where the future of human civilization is decided. This is too dangerous an area to uncontrollably set in motion an ideological confrontation. However, as soon as politics descends into the regional orbit, ideology encroaches upon geopolitical and, above all else, socio-political interests. As a result, it begins to dictate the conditions of security, especially as the doctrine of security itself was, in its time, formulated by U.S. theoreticians and politicians as a means of guaranteeing the interests of the "free world," that is to say it was, from the beginning, an ideological conception. This factor was stressed by H. Truman after World War II.

subsequently by L. Johnson, and most clearly by R. Reagan. G. Bush views the problem of security in a similar manner. Thus, speaking before the National Assembly of South Korea (February 1989), he stated that the preservation of freedom and democracy is "the most important task today." In many of his speeches on foreign policy issues, Bush has reiterated the favourite Reagan postulate: "Peace from a position of strength is a policy which has served the security interests of both our countries perfectly well."

Thus, our calls for the deideologization of interstate relations do not necessarily mean that they have been adopted by politicians in the United States. What is more, U.S. activity on the international arena in the eighties has been saturated with more ideology than, for example, during the seventies. As confirmation of this, we can cite the reaction of the United States to the events which took place in the PRC in June 1989 when the Chinese leadership used force against student actions to "strengthen socialism." Moreover, I believe that the friendly attitude toward the USSR has been motivated to a large degree by the fact that our country, according to Washington, has embarked upon the path of a market economy and democracy, drawing it near to Western models. Yet, given that there is no final certainty about this and that the Soviet Union appears before the West as a socialist state, our steps in the sphere of regional security continue to encounter opposition. The exception to this is Europe. This is understandable as the majority of problems of European security are, at the same time, problems of global security.

It seems that it is precisely for these reasons that our initiatives in the ATR are not being accepted although Washington's leaders allude to other motives in explaining their position. Consequently, the buildup of U.S. Armed Forces in East Asia is a way of ensuring the "ideological security" of the region and of preventing the USSR from spreading its influence there.

Naturally, such an approach creates a regional problem in Soviet-U.S. relations concerning questions of military stability and military security in East Asia. Neither the INF Treaty nor the withdrawal of Soviet troops from the Mongolian People's Republic nor our proposals for a reduction in the level of military confrontation in those regions where the coastlines of the USSR, the PRC, Japan, the DPRK, and South Korea draw near to one another have, as yet, had a productive influence on the situation in the region. How should we react to such a state of affairs? It seems that we should in no way react by following a military path.

Let us try to clarify this thought. Let us suppose that the USSR Defense Ministry, irritated by the negative reaction of the United States to our proposals for a reduction of military activity in the region and, also, taking into account our lag as far as the scale of this activity is concerned, put forward the initiative of building up the potential of the naval forces (naturally, under the guise of modernization) to attain "more genuine equality." I

believe that this would be a mistake. Why do we need this regional "equality" when the military superiority of the United States and Japan in East Asia is neutralized by the general strategic balance of the sides, a balance which ensures mutual guaranteed deterrence? Furthermore, although our Pacific Ocean Fleet is inferior to U.S. naval forces according to practically all indicators, its task is to protect strategic submarines and also to counteract U.S. submarines and carrier task forces. The defensive potential of the Pacific Ocean Fleet is wholly in accord with the requirements of deterrence, that is to say, it ensures the security of the maritime spaces and territories in the Soviet Far East. Its further buildup would signify an attempt to even out the balance to compete on the expanses of the Pacific Ocean, something which would be, first, of disadvantage to our economy and, second, simply senseless from the point of view of the security of the USSR and its allies. A similar picture emerges with regard to ground forces. Furthermore, the policy of defense sufficiency enables us, if necessary, to further reduce our military potential, even unilaterally, without damaging the security of the USSR. To a certain degree, this process has already affected the disposition of our Armed Forces in the Far East.¹¹

If we will all follow the path of a retaliatory buildup of our military potential in East Asia, the United States will be spurred into continuing the arms race in the region and this will, on the whole, aggravate the problem of international security in this area of world politics. Only economic penetration by the USSR into the Pacific zone and the transformation of the latter into an important element of the IER EA can serve as a truly constructive response to U.S. policy which is heavily imbued with ideology and reinforced with military power.

The USSR and Japan: Impeding Factors

If we were to follow the course of Soviet-Japanese relations by reading PRAVDA or KRASNAYA ZVEZDA, we would get the impression that we are virtually in a state of confrontation with Japan. IZVESTIYA is a little more reassuring. Nevertheless, the general leitmotiv that runs through our publications is as follows: Relations between the USSR and Japan are not at their best or, at least, "the level at which they are today, as before, does not accord with the potential capabilities possessed by the Soviet Union and Japan and the standing of our countries in the world."¹²

It seems to me that our relations precisely correspond to the capabilities, at any rate present capabilities, of the USSR. Furthermore, everything will become clear through comparison. Let us compare the Soviet Union's relations with Japan and its relations with the five leading nations of the capitalist world: the United States, the FRG, Great Britain, France, and Italy.

The diplomatic sphere functions fairly actively and has escaped the "wars of the embassies" which break out in relations with the United States, France, and Great Britain. On the military plane, we do not view Japan as

a strategic opponent unlike the United States, Great Britain, and France, all of which possess nuclear weapons. The volume of trade between the USSR and Japan in 1988 amounted to \$5.9 billion. In the sphere of our economic relations with the capitalist countries, it is second only to the volume of our trade with the FRG, it amounts to the same level of trade turnover with France and Italy, and exceeds the level of trade between the USSR and the United States or Great Britain.

Hence, the conclusions which assert the almost critical state of Soviet-Japanese relations have been exaggerated, to say the least, particularly when we take into account the wide range of our problems with the other leading powers in the capitalist world. Our attention is drawn to the fact that the present, fairly decent level of relations between the USSR and Japan has been reached in conditions which point to the inadequate attention that we have given to Japan. It is sufficient to recall that not one top Soviet leader has visited Japan since 1956 (the year that diplomatic relations were restored) although they have regularly been to the United States and to the European countries. One can present many arguments to explain this lack of attention but it is hardly likely that they will all be sufficiently sound if we bear in mind the fact that high-level visits are not only used to officially record the resolution of various problems but also serve as a mark of respect for the people of the country in question. Of course, it is gratifying that, finally, at foreign minister level, it has been agreed that M.S. Gorbachev will visit Japan in 1991. In this connection, one certainly must not underestimate the importance of the trip made to Japan (November 1989) by a USSR Supreme Soviet delegation headed by USSR People's Deputy A.N. Yakovlev. Although, as he stated, this visit did not resolve all problems in Soviet-Japanese relations, it, nevertheless, contributed toward deepening mutual understanding between both sides.

Yet, the present state of Soviet-Japanese relations cannot be considered as satisfactory. Moreover, this applies to a greater degree to us than to the Japanese who have been successful in developing the ATR economically. It is precisely for this reason that we should show initiative in the matter of drawing Japan into mutually advantageous cooperation and not expect that the Japanese themselves will determine for us the forms and methods of this cooperation and prepare projects for joint enterprises. In this connection, I would like to draw attention to a number of aspects of our policy which, it would seem, continue to remain impeding factors on the path of mutual understanding with Japan.

If we proceed from the joint communiqués issued over the last few years, the interests of the USSR and Japan coincide on three most important issues: both countries are interested in peace and security in the ATR, in the signing of a peace treaty, and in the development of commercial and economic, scientific and technological, and cultural cooperation. However, neither side is fully satisfied with the state of affairs pertaining to any of these issues.

Japan, through the mouths of its politicians, maintains that the constant buildup, both qualitative and quantitative, of the Armed Forces of the Soviet Union in the Far East is having a destructive effect on the situation in the ATR.¹³ Furthermore, according to Tokyo, a peace treaty cannot be concluded until the "Northern Territories" are returned to Japan. Economic cooperation is being impeded, first, by the different interests of the two sides and, second, by the clumsiness of our economic organizations and their inability to establish productive mutual interaction with Japan.

In reply, we are convinced that the process of militarization in the ATR has been stimulated by the buildup of American military might with the active support of Japan which, furthermore, is itself accelerating the development of its own Armed Forces. Japan's territorial claims toward the USSR are viewed as groundless for which reason it is considered that they cannot serve as a prior condition for the signing of a peace treaty. As regards commercial and economic cooperation, while we admit that our economic structures are clumsy to a certain degree, we can here point to political motives behind Japan's nonconstructive approach which is impeding such cooperation (U.S. pressure, the restrictions imposed by the Committee for Multilateral Export Controls, intransigence on the issue of the "territories," and so forth).

Thus, while our interests are the same, our approaches to realizing them are different. Let us try to understand Japanese logic.

Let us begin with the problem of security in Asia. Practically all our initiatives in the ATR are aimed at dismantling the present security mechanism which functions on the basis of the dominating U.S. military presence and the system of its military treaties with Japan, the Philippines, South Korea, and Thailand. Can Japan reconcile itself to such a position, taking into account the fact that it is precisely this security system which, according to the country's political circles, first, averts the "threat from outside," second, creates favorable conditions for economic activity in the region and, third, ensures the preservation and prosperity of the countries of the "free world," including Japan itself? What guarantees are there that the present conditions for the development and reproduction of existing economic structures and interrelations will be preserved in the event that the Soviet concept of security is implemented? What guarantees are there that one or other of the socialist countries, some of which have, in the past, shown an inclination to resort to military force in their foreign policy, will not do so once more in the resolution of international problems? We have repeatedly had to listen to such fears being expressed by many Japanese politologists and specialists in international affairs and they must not be simply brushed aside without taking into account the logic of our opponents.

It also seems that our customary attacks on Japanese militarism and the exaggerated assessments of its importance do not accord with the interests of security in East Asia. Let us, just for one minute, suppose that the Japanese, heeding our complaints regarding militarization, abandon this process completely and fully entrust the United States with ensuring the security of its state (incidentally, such sentiments do exist in certain circles in the country). One can imagine what a storm would be raised in the United States if Tokyo were to make such a decision; after all, many American congressmen are not even satisfied with the present rate of military organizational development in Japan. So, it is highly probable that such an outcome would signify the virtual rupture of the entire present system of military-political relations between the allies. Are they prepared to see this? Of course, not. In these conditions, accusations of militarism leveled against Japan are simply untimely and, essentially, not true. After all, we do not make similar demands on France and Great Britain. Furthermore, we even agreed not to take into account the nuclear potential of these countries at the Geneva talks on strategic disarmament. Why, when it is a matter of criticizing militarism, are we so selective in whom we accuse?

There is another side to the problem. Despite the fact that certain small exploits have been achieved in the sphere of disarmament, this process has still not become irreversible. The United States, as is well known, for all intents and purposes, withdrew from the SALT II Treaty following which the potential of its strategic offensive forces increased appreciably. Therefore, there still does not exist mutual trust with regard to problems of international security. Its attainment will be a lengthy process as this is a problem which cannot be resolved instantly.

In this connection, the calls on Japan to abandon its military alliance with the United States sometimes sound even more absurd. This would be the best possible present to Japanese militarists and right-wingers who would make use of the situation in order to transform their country into a military superpower. According to Professor T. Sakanaka from Aoyama University, the withdrawal of U.S. troops from Japan and South Korea would force Japan to embark on the path of a Gaullist policy, one element of which would be the creation of "quite large nuclear forces" reinforced with a powerful army and powerful naval forces.¹⁴

The next issue is the "Northern Territories." At the present moment, the positions of the sides are diametrically opposed. The Japanese demand they be returned while we believe that they legally belong to us. Nevertheless, a certain "shift" in the Soviet position has become apparent. Whereas, previously, we did not recognize at all the existence of this problem, we now do. Without delving into the heart of the matter, we will draw attention to the following points.

In submitting their territorial claims to us, the Japanese side is constantly appealing to public opinion. Indeed, regular opinion polls indicate a high level of support for

the government on the "territories problem." We should remind the reader that the opposition parties (for example, the Communist Party of Japan and the Japanese Socialist Party) go even farther than the government in this respect. They lay claim to all the Kuril Islands whose return, it is true, is linked to the annulment of the security treaty with the United States.

The Soviet side also often refers to public opinion. However, this is not wholly correct since nobody has consulted the people on this issue and we have not conducted any special opinion polls on the "Northern Territories." Furthermore, the vast majority of our people, evidently, have no idea as to the root of the problem as¹⁵ on what grounds the Japanese are laying claim to these territories.

The official position of the USSR on this question has been formulated in the Ministry of Foreign Affairs (MID) and in the CPSU Central Committee apparatus. As regards Soviet Japanese scholars who are well acquainted with the problem, their attitude to it is not so clear-cut. Their number include supporters of the hard-line approach which amounts to total nonrecognition of the existence of the problem. There are those who suggest a return to the joint Soviet-Japanese declaration of 1956 in accordance with which it was proposed that, following the signing of a peace treaty, the islands of Habomai and Shikotan be handed over to Japan. There are also those who adhere to the point of view that this problem be transferred from the political to the economic sphere and that a political solution be deferred to a future date. What they have in mind is the creation on the islands of joint enterprises and other forms of bilateral entrepreneurial activity including even the establishment of a special economic zone there.

It is worth recalling here how we resolved the border question with Estonia following its separation from Russia and the signing of a peace treaty with it, a treaty which, according to V.I. Lenin, was of "world historic significance." This peace treaty contained a number of territorial concessions "which did not fully conform to the strict observance of the principle of the self-determination of nations, and we proved, through our action, that the frontier question is one which we consider to be of secondary importance whereas the question of peaceful relations... is not only the most important question in principle but also one which has enabled us to win the confidence of those nations which have been hostile toward us."¹⁶

At present, we cannot see any straightforward way of resolving the problem of the "Northern Territories" with Japan. However, there is no doubt that it concerns not only the Soviet MID or the CPSU Central Committee; this is a question of nationwide importance. It is precisely the people, in the true sense of this word, who, through a referendum or other forms of expressing their will, should determine the position of the state organs with regard to these territories. It is time to abandon "corridor" diplomacy. As a preliminary, it is essential to publish in the

press detailed information on the history and crux of the problem. Only under such conditions can we discuss this subject with the Japanese on an equal footing.

Finally, the third aspect of our relations concerns economic cooperation. However, the problems which exist in this sphere do not only concern Japan. Therefore, it makes sense to look at them in more detail.

The Problems of USSR Economic Cooperation With the Region

It seems banal to make the assertion that the world is interdependent. Yet, this "truth" does not seem incontrovertible if we speak of economic interdependence between the socialist and the capitalist countries. We will remind the reader that our share in international trade amounts to no more than four percent.

The situation is even worse with regard to our economic positions in East Asia. The USSR's share in overall exports involving the countries in the region is so negligible that it is often not recorded in statistical abstracts. There is no point in mentioning other forms of cooperation: They are, as a whole, still at the stage where they remain a wish or are undergoing initial elaboration. This means that not only do we not form part of the international field of the international economic region of East Asia but also we, in essence, are not participating in the process of internationalization, a characteristic feature of which is intensive trade exchange. So, there can be no question of any kind of interdependence here.

One other problem is the trade deficit with the countries of East Asia and the huge amount of primary goods that make up our exports. Suffice it to say that machines and equipment account for one percent of Soviet exports to Japan. Incidentally, this situation led Ye. Gayer, a USSR Supreme Soviet deputy from the Far East, to conclude that the Soviet littoral has been transformed into a raw materials appendage of Japan.¹⁶

The figures cited are, for some reason, interpreted in such a way as to indicate that the present level of our trade relations with the countries in the region does not correspond to our potential. Is this the case? It is rather the opposite; this level objectively reflects the current economic and scientific and technological potential of the Soviet Far East. Today, the economy of the far eastern regions of the USSR revolves around the production of energy-bearing raw materials. Its structure conflicts with the interests of our trade and economic partners in the region. For example, the restructuring [perestroika] of the Japanese economy, which began in the second half of the seventies, was oriented toward the creation of science-intensive branches of industry that enabled energy, metal, and labor costs to be reduced considerably per unit of output. As a result, the Japanese side became much less interested in Soviet deliveries and the factor of their being complementary in economic terms was lost. Unfortunately, new programs for the comprehensive development of the productive forces of the Soviet Far East, the Buryat ASSR, and the Chita

oblast are, as before, orienting them to a type of development which is geared toward the production of energy-bearing raw materials with emphasis on capital- and labor-intensive industries.

How can we build an efficient economy for the future? In its generalized form, the conception which is now being implemented focuses on the following: regional economic accountability, the creation of special economic zones, the first in Nakhodka, and the closest economic attachment of the far eastern economic region to the countries in the ATR. Although this variant of development represents a step forward, it, nevertheless, does not change the present economic situation if we assess it according to U.S., Japanese, and West European standards.

First and foremost, regional economic accountability, in that form in which it is now being discussed, signifies the redistribution of the functions of management and control in favor of local organs of economic and political power. In so doing, a region will acquire certain benefits. However, in this case, the former system of production relations will be preserved, a system which has shown how feeble it has been. Furthermore, a region's economy will remain firmly connected to the economy of the whole country, that is to say, the exchange of products (commodity exchange) and resources will be conducted over a huge geographical area with a weakly developed infrastructure. We can add that numerous enterprises of the military-industrial complex which produce strategic raw materials will, in any event, remain directly subordinated to the center. Under such conditions, regional economic accountability is hardly likely to accomplish the set tasks. From the political and economic point of view, given the present state-monopoly character of production relations, economic accountability will, generally speaking, not change anything, at least until the problem of ownership on a multistructural basis, including private ownership, is resolved.

The formation of an alternative strategy of development for the eastern regions of the Soviet Union could comprise three elements. First, the complete economic autonomy of the Soviet Far East from the central regions of the USSR, to be guaranteed by special laws. As a result of this, entry into an integrated network with the countries of East Asia will start to take priority over economic ties with the western part of the Soviet Union.

The second element is as follows: Given the fact that under the existing economic mechanism, even under the condition of the implementation of the idea of a truncated economic accountability, integration into the IER EA is impossible because of the incompatible economic systems, it is essential, as a prerequisite, to legally approve a multistructural economy with emphasis on market relations.

Third, the idea of economic autonomy will not contradict political sovereignty which will be retained by the all-Union government.

What difficulties lie on the path toward the implementation of an alternative strategy? The first and main difficulty is to convince the central organs of power of the rightfulness of the formulation of the set tasks and aims. Without this, it is senseless to speak of any breakthroughs in the development of the far eastern region. More than 70 years of practice of economic management, or often mismanagement, has shown that it is impossible to control and manage the entire national economy of our huge country from the center. To insist on centralized management in these conditions signifies condemning the Soviet economy to further collapse.

Furthermore, it is necessary, on a general theoretical level, to elaborate an integral concept of regional economic development, including the concept of special economic zones. In this connection, the idea is expressed that the economy of the countries of East Asia bears a "multistory" character on account of the different level of development of the partners and that our Far East can, today, be built into regional integration only on the "lower stories." This idea condemns the Soviet Far East to participation in a vertical schema of division of labor, in short, to strengthening its role as a raw materials base for the region. In principle, the coastal region is now developing according to this schema. However, as we have already stated, the given variant is leading nowhere. Moreover, if we are always saying that what is most important is man and his needs, why should we produce logs instead of furniture and steel instead of automobiles and computers. Obviously, we cannot have one without the other. Yet, it is incomprehensible why we have one and not the other. Naturally, it is a question of proportions.

From the strategic point of view, it is essential that, in the far eastern region, we give priority to output of finished goods over raw materials and semi-finished products. In this sense, we do not have the time to move gradually from the "lower stories" to the "higher." We must begin not with large-scale projects but, first and foremost, with those sectors whose development would contribute to the expansion and strengthening of the transport infrastructure, the modernization of ports and harbors, the development of the services sphere, tourism, the hotel industry, and so forth. All this would create the necessary conditions for the subsequent expansion of science-intensive production and would improve the standard of living of the population. Such an approach signifies that we should define strategic aims not through the prism of interests of ministries but by basing ourselves on people's needs and requirements.

A big problem also lies in the fact that we are not only unaware of our own interests but we often do not know what our partners' interests are. In that case, how is it possible to unite undisclosed interests? On what basis will we be able to develop that mutual advantageousness about which we speak so often yet in an abstract way?

Thus, the journalist S. Agafonov, in recounting the numerous visits made by our representatives to Japan, was appalled by their ignorance of the realities of this country, its market, and the particular features of its economic situation.¹⁷ We are speaking about Japan, a detailed description of which is to be found in our economic literature. One can imagine the level of knowledge of Soviet "businessmen" regarding the markets and specific features of such countries as Malaysia, the Philippines, and Thailand. Yet, after all, these are the countries with which we want to develop an active exchange. It is also impossible to formulate a general concept of the development of our own far eastern region without an analysis of the interests of all the countries in the region and the economic activity of Japanese and U.S. companies in East Asia.

Following M.S. Gorbachev's visit to the PRC, the prospects of economic cooperation with this country have been raised. In what areas? Power engineering and metallurgy have been singled out in particular. However, this is again resource-intensive production which, in addition to everything else, causes damage to the environment. Has this variant—the prospects for bilateral interaction—been thought through or is it simply a case here of euphoria following an improvement in relations, euphoria which is spurring on cooperation for cooperation's sake? What effect will cooperation in the area of power engineering have on the technological development of both countries? Will it, finally, lead to an increased standard of living for Soviet and Chinese citizens? It is clear that this subject requires special analysis, something which, to all appearances, has also been lacking at a high economic level.

There exist many difficulties on the path of our policy in East Asia, difficulties which can only be resolved by means of revolutionary transformations, first and foremost, in our thinking. At the minimum, they presuppose a rejection of the "superpower position," which will be in accordance with our real standing, at least, in East Asia. At most, this signifies a reduction in our military activity in the region to limits which are necessary only for protecting the security of our land borders and territorial waters in the Far East. We need to open the borders in full accordance with the decisions of the final document of the Vienna meeting of 1986. Only the free movement of capital, people, and ideas can create real bonds of integration in mutual association. We need to soberly evaluate our real potential and interests in East Asia. A surge of initiative is also a costly variant of politics. Cost [stoymost] in politics as well as in economics is only of use or of value if it finds a consumer.

Finally, our research into the problems of Asia and the Pacific Ocean continues, with the rare exception, to be tinged with propaganda. The first task of scholars is to get rid of this. Otherwise, we will never comprehend why the Soviet Union's constructive foreign policy does not meet with understanding on the part of the United States and

Japan. Incidentally, a number of other countries in East Asia also view it in the same way. It is time to be bold and answer these questions.

Footnotes

1. See PRAVDA, 4 May 1989.
2. See DILI CHZHISHI, No 8, 1987, p 11
3. As methodical support for his analysis, the author has used the following monographs: "The System, Structure, and Process of Development of Contemporary International Relations" Moscow, 1984; "The International Order: Political and Legal Aspects" Moscow, 1986
4. For the difference between economic integration and internationalization see in more detail "The Crisis in the World Capitalist Economy in the Eighties" Moscow, 1986, pp 157-163
5. See "Statements and Opinions on Pacific Cooperation" Tokyo, 1985; "Perestroika is a Matter of Urgency, It Concerns Everyone and Everything" Moscow, 1986
6. In the United States, even theoreticians specializing in international affairs do not distinguish between national security and national interests. It is true that this observation also applies to the majority of Soviet specialists in international affairs.
7. See, for example, the speech made by G. Shultz in May 1987 at Stanford University which was published in PRAVDA on 6 June 1987.
8. See DEFENSE NATIONALE, August-September 1987, pp 26-27, 31; ASIAN SECURITY 1988-89, Tokyo, 1988, pp 46-50
9. See PRAVDA, 28 May 1989
10. NEWSWEEK, 22 February 1988, p 16
11. See PRAVDA, 28 May 1989
12. See PRAVDA, 4 May 1989
13. See, for example: S. Uno, "View From Tokyo", MEZHDUNARODNAYA ZHIZN, No 5, 1989, p 31
14. NEWSWEEK, 27 February 1989, p 29
15. V.I. Lenin, Complete Collected Works, Vol 40, p 92
16. See MOSKOVSKIYE NOVOSTI, 25 June 1989, p 16
17. IZVESTIYA, 17 February 1989

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USSR's Role in East Asia Viewed

AU2511060090 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 90 (signed to press 15 August 1990) pp 97-107

[Article by Vladimir Ivanovich Ivanov, candidate of economic sciences, head of department at the USSR Academy of Sciences World Economics and International Relations Institute: "The Soviet Union and the Asian-Pacific Region: Evolution or Radical Changes?"]

[Text] In the majority of nonsocialist countries, it has been customary to associate the Soviet Union's role in Asia with superpower rivalry, expansionism, and involvement in regional conflicts. This image remained even after M.S. Gorbachev's speech in Vladivostok.

The cliché "the Soviet military threat" has become so widespread and common in the Asian-Pacific region [APR] that it was even mentioned in the political declaration adopted at the meeting of the heads of states and governments of the "seven" in Toronto in 1988. However, the situation has changed with the passage of time. The U.S. Defense Department brochure "Soviet Military Might: Prospects for Change," which was published in 1989, already contained a more or less accurate description of the correlation of Soviet and American Armed Forces and an assessment of their functions in the North Pacific.

To all appearances, the United States, on the whole, indirectly agreed with the fact that the Soviet military presence in the Far East bears a defensive character and that the American and Japanese Armed Forces in this zone, taken together, have indisputable superiority. This fact cannot but contribute to the destruction of the notion concerning the "aggressiveness" of the USSR. However, according to other parameters, both political and economic, the situation of the USSR in the APR remains unsatisfactory while, from the point of view of involvement in economic ties within the region, it is even continuing to get relatively worse.

Among the factors which have characterized the presence of the USSR in the APR during the seventies and eighties, we can highlight the following: 1) cold and often hostile relations with other leading powers; 2) a high level of dependency on the behavior of friendly states; 3) emphasis on ensuring strategic security and questions of defense; 4) the stagnant state of the far eastern economy which is dependent upon raw materials industries; 5) isolation from regional economic links.

Our country's situation in the APR upto 1985 may be characterized by two words—"isolation" and "confrontation." Today, the situation has changed considerably. However, we have not yet formulated a definitive list of new priorities which is necessary for further progress as this depends upon the subsequent advances made both in international relations and in internal reforms.

The factor of a new Soviet Union in the structure of international relations in the APR may call for radical reassessments of the political, military, and economic situations. The new long-term strategy of the USSR here, a strategy which could finally be formulated in the nineties, will most probably have to pursue the aim of satisfying the internal economic and social demands of the Soviet Union and of Russia in particular.

From the point of view of efforts aimed at ensuring security, it is quite probable that the military and strategic role of the USSR in the Pacific Ocean and in East Asia will gradually reach an "average regional level" and, in a certain sense, will not differ substantially from the level of such leading regional powers as China and Japan.

The gradual improvement of political relations with neighboring powers, countries, and territories in the western part of the APR and the considerably more important role of economic factors in foreign policy priorities should contribute to altering the image of the Soviet Union in Pacific Asia.

It is very probable that a radical departure from confrontation in relations with the USSR's neighbors and also with the United States will lead to changes in the whole regional strategic situation in the West Pacific and to a reduction in the role of existing military and political alliances, including the American-Japanese security treaty.

The departure of the USSR from the structure of military-strategic ties in East and Southeast Asia and a reduction in the level of our military presence in the Far East in the long-term future are capable of leading to the creation of a new situation in which stable political relations with the USSR and economic cooperation will acquire increased value for the countries of the region. Finally, changes in economic relations inside the Soviet Federation itself, the transformation of Eastern Europe, and a reduced role for CEMA can change the existing geographical structure of the USSR's trade and economic relations with the outside world.

If such fundamental changes will really occur, the Soviet Far East, by the end of the nineties, could emerge in the APR at an average economic level with very great advantages in terms of comparative outlays on many types of products and services. The economic development of the far eastern regions of the Soviet Union can and should assume first place among our other priorities. However, if this process is really to become dynamic, we need a flow of foreign investments, technologies, and constructive approaches on the part of potential partners and regional economic organizations. Material requirements can predetermine not only the character of future diplomatic activities in the region but also radical shifts in the direction of economic diplomacy at the expense of traditional policy.

The concentrated attention given to the development of the Far East and to economic ties with the Asian-Pacific

sector of the world economy may encourage the Soviet Union to adopt the concept of "equidistance" in its relations with such powers as the United States, Japan, and China and to engage in more intensive dialogue with such middle-ranking states as Canada, Australia, South Korea, and the ASEAN countries.

By the end of this decade, there may be a considerable reduction in the proportion of security questions in the Soviet Union's Asian-Pacific policy. It is quite possible that Soviet defense efforts in the Far East will be perceived differently both inside the country and outside, particularly in the event of an improvement in relations with Japan and of progress being made in the reduction of strategic weapons. Accordingly, the Soviet Union will be faced with the task of not only deepening economic openness but also developing cultural and social interaction with the region and with its leading countries.

The Soviet Union's relations with countries in the APR includes a broad and complex range of questions bearing a military, economic, political, and historic character. Let us try to analyze some of the problems which characterize the regional positions of the USSR, including its relations with the United States, Japan, China, and South Korea.

Soviet-American Relations and the APR

Soviet-American relations in East Asia and in the adjoining regions of the Pacific Ocean still strike a discordant note on account of their general atmosphere, the level of mutual understanding regarding the changes in Europe, and general approaches to key questions of bilateral relations. Although the situation in the APR has changed for the better since the mid-eighties and has become more predictable, there still remain three important problems which lie outside this process.

The first is the lack of mutual understanding on general aspects of international relations in East Asia.

The second is the considerable differences in approaches to ensuring security; this concerns questions relating to confidence-building measures in the military sphere, the activities of fleets, sea-launched nuclear weapons, military bases, nonnuclear zones, and so forth.

The third is the lack of development of dialogue on regional conflicts, first and foremost, on the Korean problem. This not only limits the possibilities of the USSR but also, in the final analysis, contradicts U.S. interests.

Military-political problems concerning a reduction in the level of military tension, the creation of relations based on trust and predictability, and so forth could evidently become, as in Europe, the main field of interaction at the given stage. If the USSR and the United States embark upon this path, this will give a powerful impulse to the resolution of many other acute problems.

Greater trust with regard to military questions in Soviet-American relations in the APR, particularly in the north-western sector of the Pacific Ocean, will undoubtedly strengthen strategic stability and may, in the future, contribute to a reduction in the military expenditure of the sides. This is particularly important for the USSR although it is also of interest to the United States. Positive changes in the military situation in the region could, in the future, stop many states, first and foremost Japan, from increasing their military potential.

The positions of the USSR and the United States have drawn closer together during the last year. The unilateral measures aimed at reducing the number of Soviet troops and weapons in the Far East have been viewed positively in the United States. As mentioned above, the assessments made by the American side of the USSR's military presence in the Pacific Ocean have become more unbiased. On the whole, they are admitting that it bears a defensive character. However, at the same time, the confrontation of their fleets in the Pacific Ocean is having an unfavorable influence on the political situation in the APR, on relations between the USSR and Japan, and on the situation on the Korean peninsula and is causing tension in Soviet-American relations. It is precisely on account of this that dialogue between the United States and the USSR on military problems, dialogue which leads to greater trust and predictability, can become the core of the multilateral political process in the APR.

Relations between the United States, Japan, China, and the USSR deserve particular attention.

Today, we can already speak about the existence of a more normal situation in the "triangle"—the United States, China, and the USSR. In principle, there are no fears here that the legal interests of any one of the sides may be encroached upon by the actions of the other two. This is a new situation for the postwar period. Positive changes in the assessment of problems concerning the three sides have occurred in China, the USSR, and the United States where, until still recently, China was viewed quite separately from the Soviet Union.

Relations in the second "triangle"—the United States, Japan, and the USSR—contain a large number of complicated problems which, at the same time, have crucial significance for the region. The normalization and development of relations with Japan represent one of our priority tasks which will open up great potentialities both on the economic and political level. The improvement of relations with Japan requires time; it is difficult to expect breakthroughs and quick solutions here. However, the improvement of relations with the United States is capable of stimulating this process.

In their bilateral relations, the USSR and the United States have, until now, been using the factor of their geographical closeness in the North Pacific only to a very small degree. The greatest possible stimulation of humanitarian contacts and the development of tourism

and business and scientific ties could significantly change the atmosphere in Soviet-American relations in the Pacific Ocean and improve the positions of the Soviet Union in the region.

As regards the American side, an interest in direct contacts with our Far East is becoming increasingly noticeable among the public, business circles, and the authorities of the states of California, Alaska, Washington, Oregon, and Hawaii. This interest is receiving support at the highest level and could become a very important element in bilateral relations.

Regional economic cooperation is one of the spheres in which support from the United States is of crucial significance. The Soviet Union has applied to join the Conference on Pacific Economic Cooperation and may take the same step with regard to the Pacific Basin Economic Council and also the Organization for Asian-Pacific Economic Cooperation. The United States plays one of the leading roles in the activities of these organizations but, on the official level, still expresses reservations about the USSR's membership.

Soviet intentions are aimed at facilitating the resolution of the problems of the economic integration of the USSR into regional economic ties and the development of its far eastern regions; in the final analysis, this will correspond to the interests of the United States itself and of other countries and will guarantee stability and the compatibility of interests. One can agree with the fact that there has been a relative weakening of the positions of the United States in the region after the active formation over a decade of the concept of regional economic cooperation. At the same time, the still huge scale of its economic presence and its political and military role enable the United States to exert considerable influence upon the course of discussions pertaining to problems of regional economic relations and upon the decisions which are being made. Although the aspiration of the ruling circles of the United States to firmly control the development of integrational ties is hardly realistic, one should not ignore the influence of American administration, research circles, and business on these processes.

The widespread political, diplomatic, business, cultural, and personal contacts are evidence of the firm and dependable U.S. presence in the APR. It is precisely the United States which, in the postwar period, by making the most of its presence and political influence, created the basis for the modernization and development of individual countries in the region and for their inclusion into the international division of labor.

The most dynamic world economic zone, which was formed under the aegis of the political and military guarantees provided by the United States and which became strong on the basis of the openness of the American market, is today becoming one of the most "unhospitable" for American business and the source of the most intense and aggressive commercial competition

that the United States has ever experienced in its history. Consequently, there is the growing realization in the United States that changes are necessary and that the new realities must be taken into account. These changes have become ripe and will continue to gather force in the nineties. The question for the USSR is how to best incorporate itself into the concept of these changes which is being formed so that it can finally remove military tension and gain access to the sources of investments and technologies, ready markets, and structures of regional interaction which are taking shape.

Japan and the USSR in the Nineties: Prospects for the Normalization of Relations

In the eighties, in conditions of the economic strengthening of Japan and the maintenance of tension in international affairs, its interest in improving relations with the USSR clearly gave way to a cautious and also often confrontational approach. At the same time, the external aspect of Soviet-Japanese relations was changing. The progress which had been made in relations between the USSR and the United States, China, and the European countries, the withdrawal of Soviet troops from Afghanistan, the settlement in Cambodia, and Soviet contacts with Seoul encouraged the Japanese to make certain reassessments. These changes contributed to the accumulation of favorable conditions for a qualitative breakthrough in political relations and strengthened the arguments of those advocating compromise in relations with the USSR; they saw in this a factor which would enable Japan to strengthen its international positions and which would lead to a stabilization of the regional situation. The improvement of Soviet-American relations and constructive dialogue at the highest level remove many Japanese restrictions which, until now, have influenced its independent stance in relations with the USSR.

There are also other factors which are stimulating Japan to take a fresh look at its relations with the USSR. The increase in its economic influence in the world is not proceeding without giving rise to conflict. The efficiency of the Japanese economy is becoming practically the main source of antagonism in relations with its partners, first and foremost with the United States. As a result, in recent years, there has emerged a distinctive and often negative emotional attitude toward Japan both in the United States and in many other countries.

In spite of their mutual economic dependence and military-political closeness, there is also growing general dissatisfaction in Japan with the pressure being applied by the United States. All this is creating that real atmosphere in which the process of reassessment by the Japanese of the role of the Soviet Union and elaboration of alternative future relations with it is developing. In attempting to forecast the possible evolution of Japan's positions, it would be a simplification to reduce the potential value for it of relations with the USSR only to questions of bilateral relations and to the advantages of commercial and economic cooperation. One of the potentials of the USSR's new political thinking with regard to Japan is precisely its recognition of Japan's global

role and responsibility for the future of international relations and for the situation in the APR.

Serious thought is being given in Japan to the future structure of international relations and to its place in this structure. In the process, it is stated that military factors are playing a reduced role in politics and that the arms race is having a negative influence on economic development and competitiveness.

The concept of multipolarity is becoming politically significant for Japan. The country's assumption of the role of one of the most important "new" poles is connected for the Japanese with fathoming problems of international order and ways in which the latter may evolve and with a reassessment of traditional foreign policy concepts. This is creating the conditions for dialogue between the USSR and Japan on global problems. Official publications of the Japanese Ministry of Foreign Affairs point to the necessity of strengthening the United Nations Organization so as to make it more effective; this could also become one of the topics in Soviet-Japanese dialogue.

The APR is becoming a strategic direction of economic cooperation for Japan. The volume of Japanese economic aid to countries in the region exceeds that of the United States by a factor of five. Today, almost 50 percent of all resources allocated by Japan for economic aid programs is channeled to countries in the APR. There are possible areas of common interest here between Japan and the USSR given the prospect of an expansion of Japanese economic aid to those Asian countries which are already economic partners of the USSR. In principle, the Soviet Union could also, in time, count on low-interest loans in order to resolve specific economic problems which have a political significance (for example, conversion).

It is significant that the opinion is being expressed in authoritative Japanese circles that the region needs a multilateral forum within the framework of which the United States and the USSR could discuss, among other questions, nuclear disarmament, the reduction of conventional weapons, and confidence-building measures. The existing role of factors pertaining to military force in the region means that Japan remains dependent upon the United States to a certain degree. The deideologization of international relations in the APR and the greater emphasis on problems of economic development are of advantage to Japan as, in these conditions, it could have greater political influence.

One of the potential problems both for Japan and its neighboring countries is its future military policy. The military potential of the USSR and China and confrontation on the Korean peninsula are spurring the country to build up its defense power. Although, as yet, there are no weighty reasons for dramatizing Japanese military efforts, the present logic of international relations will

inevitably lead Japan to expand its military organizational development particularly if the process of the demilitarization of its relations with the United States begins. It is in the interests of both the USSR and Japan to try to arrive at mutual understanding with regard to these problems and to adopt a new approach to questions of security.

The problem of detente in the APR can be seen as one of the questions which bears practical importance. The Soviet Union's foreign policy efforts, including those in the APR, are, in principle, compatible with the approaches of Japan. Both countries are interested in reducing tension on the Korean peninsula and in regulating the situation around Cambodia. It is difficult to envisage that, in the foreseeable future, the USSR and Japan will be in direct competition in the economic sphere or in military affairs.

In examining possible areas of mutual interest, one cannot fail to take account of the fact that real interaction in all spheres can be successful if the process of the accumulation of trust in bilateral relations gets under way. It is impossible to do this if we ignore the problem of the "Northern Territories." However, the very arena of bilateral relations itself can be significantly expanded so that one gradually arrives at a situation in which the problem of the "Northern Territories" is not firmly tied to other questions.

It could be a question of utilizing Japanese experience with regard to the modernization of the economy, the system of management, the adoption of decisions, and so forth.

The second potential sphere of economic cooperation is the modernization of the raw-materials branches of the USSR economy.

The third potential area of long-term cooperation with Japan lies in the orientation of the USSR toward the development of so-called "highly intellectual industries" whose output can find a use in many countries.

It is also possible to expand the sphere of bilateral relations by examining those problems which have remained since World War II: We could give our attention to simplifying as much as possible the procedure with regard to Japanese visiting the graves of Japanese servicemen located on the territory of the Soviet Union and to tidying up these cemeteries. One other direction in which cooperation can be pursued is in the active development of humanitarian contacts and cultural ties which are viewed in Japan as an important element in the complex approach toward ensuring the interests of national security.

The formation of a new image for the Soviet Union at the level of bilateral relations requires considerable time, resources, and the coordination of efforts. Specific positive advances can be made in the time remaining before M.S. Gorbachev's visit to Japan.

The expectations from this visit are linked not only with bilateral relations but also with the state of affairs in the APR and in the world in general. In these conditions, the hope remains that, by manifesting wisdom, the political leaders of the two countries will nevertheless succeed in giving an impetus to relations and starting the process of building up trust between the two countries. The hopes that this will happen are gradually increasing.

"Our future relations," stated the Japanese Prime Minister T. Kaifu in an interview given to IZVESTIYA, "will not be confined within a bilateral framework but will serve the whole APR, the entire international community, and will contribute to the development of dialogue, mutual understanding, and cooperation in the name of universal peace and prosperity." However, at the same time, one also cannot ignore the fact that, in its publications, the Japanese Ministry of Foreign Affairs stubbornly refuses to recognize the right of the Soviet Union to be considered as a country belonging to the Pacific region while the National Defense Agency views precisely the Soviet Union as representing the major threat to Japanese security interests.

The development of relations at the local level could become one of the realistic ways of breaking the established pattern of relations between Japan and the Soviet Union. The Russian Soviet Federated Socialist Republic and its far eastern regions and the Japanese prefectures adjoining the Sea of Japan could independently develop both political contacts and business, cultural, and other mutually advantageous ties.

The Normalization of Soviet-Chinese Relations

There have been major changes in recent years in Soviet-Chinese relations which have successfully emerged onto a new level. At the same time, decades of confrontation and ideological polemics have cost both states dearly.

Both China and the Soviet Union have realized the necessity of normalizing relations proceeding, first and foremost, from their own internal interests. The reforms in China and perestroika in the USSR, an open policy, and new political thinking came about, first and foremost, as a result of internal changes which affected their view of the surrounding world. The normalization of bilateral relations has become the natural but, by no means, principal outcome of these historical processes.

By the time that the Soviet Union had begun to change its policy in the APR, China had already made considerable progress in its political and economic ties with states in the region, having oriented them to a very considerable degree to precisely this area of the globe. Therefore, in spite of the fact that the governments of both the USSR and China are today ready for the most decisive development of bilateral economic cooperation, what can be envisaged at best, at present, is the restoration of the scale of interrelations which already existed at the end of the fifties and in the early sixties but which was subsequently destroyed. Even if the former level is restored according to quantitative indicators, it will

undoubtedly be less significant for both countries in terms of quality, something which can be explained by the operation of several factors in the structure of bilateral relations which is taking shape anew:

First, in the fifties, the Soviet Union acted principally as the donor, providing China with large-scale economic aid. Today and in the near future, a return to this model of relations, even if it will be mutually beneficial, seems highly unlikely in view of the USSR's economic situation.

Second, China, in its turn, has completely reoriented its foreign economic ties toward the developed and new industrial countries and has made appreciable progress in those spheres of cooperation in which the Soviet Union can still be viewed as a novice. Those regions of China (in the south and southeast) which are the most dynamic from the economic point of view and the most important as far as the formation of Peking's regional interests are concerned have practically no economic contacts with the Soviet Union. Many tens of thousands of Chinese students and specialists received their education in the West whereas the number of Chinese specialists who have connections with the USSR runs, at most, into hundreds.

Third, both China and the Soviet Union are, at the present stage, resolving roughly similar economic problems and, therefore, are simultaneously in need of investments, credits, equipment, technologies, and contemporary methods of organizing production. As far as this question is concerned, they are, to a certain degree, rivals.

Finally, the fourth factor lies in the asynchrony of processes of perestroika in the economy and in political reforms in the USSR and China. The initial, inconsistent, and, as yet, barely successful steps undertaken in the economic sphere in the USSR run counter to the undoubted successes in the economic transformations in China. As far as political reforms are concerned, the Soviet Union has moved ahead whereas China has recently been knocked backwards.

At the same time, those relations which are new in character within the framework of the "triangle" the USSR, the United States, and China could exert a stabilizing influence both on the processes of reform in the USSR and China and on the renewal of the whole structure of regional political ties.

The present state of affairs gives grounds for optimism with regard to the future structure of ties between the USSR, the United States, and the PRC, a structure based on the desire of all the sides of the "triangle" to adhere to a policy of "strategic equidistance." So, as in the USSR, there is evidently, in the United States a greater realization of the fact that China cannot be viewed as an object of manipulation in the strategic balance of interests. At the same time, China continues to act as the side which is the most interested in maintaining "equal distance." Taking into account this interest on the part of China and a certain anxiety which is being felt in Peking as a result of the

dynamic Soviet-American rapprochement, we can presuppose that the optimal model of interaction in the "triangle" should include as one of its elements an improvement in relations between the PRC and the United States, something which will fully correspond to the interests of the USSR. At the same time, a place should be left in this model for joint trilateral actions aimed at generally reducing tension in the region. The new climate which is being established in international relations will, perhaps, for the first time in postwar history, enable there to be a transfer to trilateral interaction.

One of the problems in the APR is the existence of a certain psychological tension in some countries in Southeast Asia with regard to China. There are also sensitive spots right next to China, namely, Hong Kong and Taiwan. The problem of the "three Chinas" acquired regional significance in conditions when the official structure of regional economic cooperation began to be formed. The future not only of economic but also of political relations in the region depends on what formula will be found to resolve this problem.

As far as the Soviet Union is concerned, the problem of the "three Chinas" is, above all else, a question of developing economic interrelations with "greater China" and, thereafter, a matter of trilateral cooperation with the participation of Taiwanese capital and companies, something which could correspond to both Soviet and Chinese interests. Economic interaction with the PRC's Pacific provinces is a separate problem, the solution of which could significantly draw the Soviet Union nearer to the markets in the region and to the system of the international division of labor.

Crossborder economic interaction with the nearest provinces of the PRC and multilateral cooperation in the Sea of Japan region with the participation also of Japanese and South Korean companies, prefectures, and cities which adjoin this region could have particular significance for the far eastern regions of the USSR. The elaboration of a long-term model of economic relations between the USSR and the PRC could be of great importance not only to the two countries but also to the region as a whole.

The Korean Problem: In Search of Detente

Historically for the Soviet Union, the problems of the Korean peninsula are connected, first and foremost, with ensuring security and strengthening political positions in the APR. If the conflict between the two Korean states were to become more acute, it could also seriously affect Soviet interests and the normalization of the regional situation could be set back years. At the same time, the USSR objectively found itself in a situation whereby it was perceived in the United States and Japan as a "accessory" in the process of charging tension on the Korean peninsula while in Pyongyang it was viewed as a

most important military-political ally and, simultaneously, as a "foreign" power with regard to the conflict.

In these conditions, it was becoming increasingly more obvious that the lack of changes in the USSR's Korean policy could signify stagnation for the whole Soviet policy in the APR and in Soviet-American relations. The long-term political interests of the USSR and the economic and political changes in the region were objectively spurring the Soviet Union to choose one of three forms of action:

- the development of unofficial contacts and economic ties with South Korea (the Chinese variant);
- the development of economic and full-scale political relations (the Hungarian variant);
- the development of the whole complex of ties with South Korea without the establishment of full diplomatic relations with the aim of maintaining the balance on the peninsula and stimulating dialogue.

The results of the recent meeting in San Francisco between M.S. Gorbachev and the President of South Korea Ro Tae-u could be interpreted as a movement toward the third variant, something which evokes not only understanding but also approval on the part of China and the United States, leaves sufficient maneuvering room for the USSR and the DPRK, encourages both Korean states to engage in dialogue, and gives a spur to the "northern policy" of the South Korean administration. In these conditions, the development of economic ties and varied contacts with South Korea serves not as an end in itself but as part of a broader approach to the Korean problem and to stability in East Asia, a process which does not exclude efforts to establish full-scale political contacts with the South without weakening those ties with the North which have already been formed.

In short, the Soviet Union could act as a mediator in any dialogue between the two Koreas and in the establishment of contacts between the DPRK and other countries in the region, first and foremost the United States, thereby contributing to the formation of a kind of "Southern policy" on the part of the North Korean leadership. In reality, it already exists if one takes into account the intensification of contacts between the DPRK and the United States and the desire to reestablish diplomatic relations with Australia and to establish dialogue with the ASEAN states.

One of the principal foreign policy problems facing South Korea is determining the future prospects for the "Northern policy" which is being implemented today, a policy which was conceived as a strategic course of action aimed at developing relations with the socialist countries, breaking through the diplomatic blockade, gaining access to the markets of the East European countries and the Soviet Union, and intensifying dialogue with the DPRK. A most important internal contradiction has been noted in this course of action:

Successes in bilateral relations with the socialist countries sharply contrast with the state of dialogue between the two Koreas.

A divided Korea continues to remain a constant source of tension. The conflict in Korea, in essence, threatens to complicate relations between all the major powers in the APR, including the USSR, China, Japan, and the United States.

Both history and the present dynamic of the Korean conflict compel the "foreign" powers, including the USSR, to adhere to an exclusively cautious policy. For example, in February 1989, President Bush stated in his speech before the National Assembly of South Korea that the United States shares the aim of the peaceful unification of the Korean peninsula under conditions which are acceptable for his people. In his speech in Krasnoyarsk in September 1988, M.S. Gorbachev noted the possibility of establishing economic contacts with South Korea if they would be accompanied by an improvement of relations between the North and South. This formula was reaffirmed in a communique published in the USSR on the meeting between M.S. Gorbachev and Ro Tae-u. In spite of the fact that China is an important trade and economic partner of Seoul, exceeding, in this respect, all the socialist countries taken together, Peking is exceptionally cautious in its attitude to the idea of official political contacts with it. Japan, as a major and, possibly, the most important economic partner of South Korea, is still not able to recognize the realities which have taken shape here and officially continues to adhere to a position in accordance with which the South Korean administration is viewed as the sole representative of the Korean people. Nevertheless, the ruling Liberal-Democratic Party is actively engaged in seeking contacts with the DRPK at an official level.

In short, all the leading powers which are politically close to North or South Korea, one way or another, recognize the necessity, in realistic policy, of the normalization of relations with both sides and are urging the two Korean states to enter into dialogue. It is precisely the promotion of dialogue which can be viewed as the key to an effective Korean policy.

Indeed, proceeding from long-term interests, it is evident that we should concern ourselves, first and foremost, with reducing tension near to our far eastern borders, something which is not possible without a constructive dialogue between the sides. It is precisely dialogue and the peaceful unification of Korea (although the latter could be a fairly distant aim) which should be fully set against any short-term and even medium-term political or economic advantages.

Until conditions are established for unification from the point of view of the Soviet Union's political interests, a "divided nation free of tension in its relations" remains the desirable situation on the Korean peninsula, a situation in which all the sides involved adopt a constructive attitude to one another and to internal, regional, and international

realities. Unfortunately, one cannot say that this is yet the case with regard to the existing state of affairs.

Psychological confrontation and complete ideological incompatibility call into question any scenarios involving quick and easy resolutions, including those which assume that a way out could be found through the establishment of diplomatic relations between Seoul and Moscow. In these conditions, it is perhaps very important for the Soviet Union, which clearly outstrips other countries in political and diplomatic ties with both sides, to realistically take into account how these sides themselves see the maintenance and development of their relations which are in a state of deep crisis, what role the United States wants to play and could play in finding a way out of the crisis, and how the irreconcilable propaganda can be reduced and opportunities be opened up for humanitarian contacts.

The American-South Korean maneuvers which take place practically every year under the name "Team Spirit" and which involve almost 200,000 military servicemen are the largest in the world and clearly demonstrate the confrontational approach of the sides conducting these maneuvers. American nuclear weapons deployed in South Korea are of little significance in military terms but represent a very serious problem from the political point of view, a problem which Washington is inclined to link to the question of additional guarantees of security for Seoul.

For its part, Washington is showing concern with regard to the nuclear program of the DPRK, which became a party to the Treaty on the Non-Proliferation of Nuclear Weapons in 1985 but, as yet, has not given complete access to the International Atomic Agency Authority [IAEA] to inspect its nuclear installations. As a non-nuclear state, North Korea is raising the question of the withdrawal of American nuclear weapons from the South and is proposing to discuss the possibility of creating a nuclear-free zone on the Korean peninsula.

Correspondingly, both the scale and the frequency of the "Team Spirit" maneuvers could be reduced with the possible declaration of a moratorium on those maneuvers planned for 1991; this would stimulate negotiations between the two Korean sides and also unofficial contacts between the United States and the DPRK.

If specific progress is made during the initial stage of confidence building, the United States and the USSR could agree to a moratorium on the sale and transfer of weapons and on the cessation of other military deliveries to the peninsula. Other measures, as indicated in the document of the U.S. Defense Department "The Strategic Situation in the APR: Prospects up to the Year 2000," could include the equalization of troop strength and a mutual balanced reduction of offensive weapons.

A complex assessment of the military balance which has been established, an assessment which, moreover, is not aimed for the purpose of propaganda but for subsequent serious political analysis, could become an important element in the future process of confidence building on the

Korean peninsula. A change in the status of American Armed Forces in Korea—their gradual changeover from playing a leading role to carrying out supportive functions—should not necessarily be accompanied by a compensatory increase in South Korea's expenditure on defense. Judging from the statements made by responsible representatives of the American side, North Korea has superiority over South Korea only in the numerical strength of land-based forces and weapons but lags behind appreciably with regard to its air forces. With the exception of submarines, South Korea's naval forces are considerably superior to those of North Korea as far as the size of surface ships and their firepower are concerned.

Much will depend on the diplomatic, political, and other efforts made by Seoul. At present, surpassing the DPRK's economy by a factor of seven, having a population which is twice as great, and possessing a developed industry and access to international organizations and other means of international influence, South Korea still continues to assess the DPRK almost exclusively from the point of view of rivalry and confrontation.

It is significant that the DPRK, in a joint statement made by its party's Central Committee, the Supreme People's Assembly, and the Administrative Council, proposed to conclude a declaration of nonaggression between the North and the South effective from 31 May 1990 and to embark upon large-scale and stage-by-stage disarmament and the creation of guarantees of stability.

In particular, the following points were formulated in this proposal: the limitation of large-scale military exercises; the exchange of information concerning such exercises before they take place; the establishment of a line of direct contact between the military leaders of both sides; the cessation of the qualitative renewal of military equipment, including the import of new military hardware from abroad; the elaboration of measures of control over the process of disarmament, including mutual on-site inspections.

The proposal envisages a departure from the previous position (trilateral negotiations) and, in essence, agrees with the American and South Korean proposal to conduct bilateral negotiations directly between the North and the South. The North Korean side has also departed from its demand of 1988 for on-site inspection to be carried out by the Observation Commission of Neutral Countries and has agreed to mutual inspection with Seoul. A step has been made in the direction of the United States and South Korea which were demanding the DPRK's agreement to timely notification of military maneuvers.

The meeting between the Soviet and South Korean presidents in San Francisco is one further sign of the influence of detente on the situation in East Asia. One can make at least several assumptions regarding the

significance of this meeting in connection with the prospects for detente in East Asia. Evidently, the first thing which should be pointed out, in particular, is the fact that it would be an obvious simplification to reduce the meeting to one which dealt only with questions concerning relations between Moscow and Seoul. For all intents and purposes, a trilateral exchange of views on the situation on the Korean peninsula and its surrounding area took place in the United States.

The second important point is that the Soviet Union has demonstrated its readiness to be a partner of the United States also in the resolution of this problem or, at least, to be an active participant in the settlement process.

The third thought concerns the prospects for dialogue and the reduction of tension in relations between the DPRK and South Korea. As it seems, it is not only the USSR which is interested in the development of such dialogue but also the United States which is reviewing its policy with regard to the DPRK.

Of course, questions concerning bilateral relations between the USSR and South Korea also occupy an important place. Their improvement and development are an extremely important symbol of the end of the "cold war" but, naturally, this alone cannot resolve all the problems relating to the Korean peninsula.

Economic Ties With the Region. The Far East and the Future Policy of the USSR in the Pacific Region

The foreign policy activity of the Soviet Union and its principal political and economic interests are historically connected with Europe. During the last few decades, the USSR has been searching for major economic partners in the West. Geography, history, cultural traditions, and the concentration of industry, population, and communications have contributed to this. These same factors, particularly in conditions of the "cold war" with the United States and confrontation with China, and deeply rooted mutual mistrust in relations between the USSR and Japan limited the development of relations with countries in the APR.

At the same time, being predominantly European according to their cultural roots, both Russia and the Soviet Union have to resolve problems on the economic and sociopsychological plane which are more characteristic of certain societies in East Asia.

If we choose the road of rapid economic progress and the simultaneous increase of the intellectual, educational, and professional potential of society, there arises the urgent necessity for a profound analysis of the experience of managing economic and social progress in Japan, Singapore, Taiwan, and South Korea. At the same time, not one of these countries, each of whose economies has become outstandingly successful in a short period of time, historically speaking, has achieved this revival and the status of an integral part of the world and regional economic systems without support and help from the outside.

In spite of the extremely limited nature of our economic interaction with the region, we must not totally ignore this factor. Economic assistance from the USSR is of paramount importance to certain countries. Thus, the Soviet Union exports to Mongolia, Vietnam, Laos, and Cambodia far more than it imports from these countries. During the eighties, this difference amounted to more than R15.7 billion.

Obviously, there is a gradual realization in the region of the fact that a sudden and sharp reduction of Soviet economic and humanitarian aid to certain countries could, in the final analysis, have painful repercussions on the fragile foundations of sociopolitical stability which have been formed in recent years and, naturally, this could again alter the regional situation. Hence, there is the potential to implement complex decisions, including help from the USSR in the resolution of certain economic problems.

Political renewal in the USSR has also affected our Far East. Both the Soviet and Russian parliaments, the government, and the local far eastern authorities still have to determine their priorities in the resolution of social and economic problems which they have inherited largely as a result of the activities of central agencies such as the State Planning Committee [Gosplan] and sectoral ministries.

For all appearances, there is considerably less interest today in the long-term state program for the development of the Far East up to the year 2000. On account of deeply rooted tradition, the department which initiated the program, namely Gosplan, and also the USSR Council of Ministers, which ratified it, are not really interested in analyzing the situation. The lack of even general information in this sphere evokes incomprehension and angers our potential economic partners who are continuing to show not only commercial but also humanitarian interest in us. The plan for the development of the region up to the year 2000 which has been adopted has become, as it were, the propeller of the foreign policy doctrine of the Soviet Union in East Asia as formulated by M.S. Gorbachev in Vladivostok and Krasnoyarsk. Any ambiguities with regard to the prospects of implementing economic programs could also possibly affect foreign policy affairs and interstate relations and reduce the likelihood of governments of different countries in the region giving their support to the plans of entrepreneurs who have operations in the USSR.

Sectoral ministries and central planning organs have their own notions of what is acceptable and what is not. As a result, at present, we still do not have one organ for the whole of the Far East which could coordinate and also facilitate foreign economic cooperation. The idea of creating such an organ has been discussed but central agencies have adopted the decision to leave the matter of coordination in the hands of those representatives of the USSR Ministry of Foreign Economic Relations who are responsible for the Far East.

One question which is vitally important for the economy of the Far East concerns the creation of special conditions under which it will be possible to attract foreign investments in order to resolve pressing economic problems.

Certain governmental decisions have stimulated discussion of the idea of free economic zones in the Far East, in particular in Nakhodka. The State Foreign Economic Commission has been trying to formulate a concept for the establishment of zones within a very limited period of time. However, as far as one can judge, this concept has still not been formulated today. At the same time, given the specific conditions which have arisen in the economy of the Far East, the creation of local zones of joint enterprise can hardly be recognized as the correct approach.

Specialization in raw materials which is a characteristic feature of our Far East today, in itself, sharply limits the possibilities for joint enterprise in limited areas. Moreover, the path of creating free economic zones will require tens of millions of rubles, including freely convertible rubles.

There is one other problem pertaining to the economy of the Far East, namely, the shortage of a work force. The turnover of cadres and the large migration of the population back "to the West" does not correspond to customary notions regarding initial conditions for the creation of free economic zones.

Furthermore, the idea of creating zones which are free for foreign investments and joint enterprise in conditions of a labor shortage, an undeveloped infrastructure, a raw materials specialization, and the general "closed" nature of the economy comes down to, first and foremost, questions of creating liberal preferential conditions for economic ties. If this is the case, there is no sense in introducing such liberal conditions only for Nakhodka or other local economic formations and especially as it would be desirable for us to make progress in the resolution of acute social problems on the scale of the whole far eastern region and not just in Nakhodka or the coastal area.

In these conditions, it is necessary to take real steps toward economic modernization in the Far East. We ought to begin by reconstructing the raw materials sectors; we should aim for a higher degree of processing and apply the idea of "preferential conditions" to the whole Far East in order to attract foreign capital to these key sectors. In principle, this region could become a single "super zone" of joint enterprise.

In conditions of a transfer to market relations, the intermediary and regulating role of the state will, evidently, increase. Even in considerably more developed countries such as Australia and Singapore the governments have no reservations about providing the closest protection both to local exporters and potential investors.

In the chaotic movement of potential partners who are unfamiliar with one another, a movement which is complicated by a lack of information, the nonconvertibility of the ruble, and differences, to put it mildly, in business ethics, it is difficult to expect a significant number of mutually advantageous agreements. Someone has to assume the functions of a transportation and tourist agency, an insurance office, an information bureau, a consular department, and even a bank. In short, it is a matter of creating a joint development and trade corporation.

At present, an interest is the only resource that foreign entrepreneurs are prepared to invest in the economy of the Far East. Furthermore, this interest has also to be utilized to the best advantage of our economy. The greater the number of entrepreneurs from countries in the APR who leave the USSR empty-handed and no longer interested, the less chance there remains for our Ministry of Foreign Affairs to successfully implement a new Pacific policy.

New Strategic Prospects for the APR?

The improvement in the international climate, the change in the image of the Soviet Union, and the improvement in its bilateral relations with states in East Asia all create the potential for positive changes in the APR, a potential which is still far from being exploited. In this respect, the changes in the foreign policy of the leading countries in the region (the United States, Japan, and China) and at subregional level (ASEAN, the South Pacific, and the Sea of Japan region), the settlement of conflicts (Korea and Indochina), the buildup of confidence, and the process of disarmament can play a considerable role.

For the Soviet Union, the first half of the nineties could already become a period of transition toward a new type of relations both with the United States and Japan in East Asia.

Although the USSR cannot aspire to playing a leading political role in the affairs of the region by the end of this decade and clearly will not exert any sizeable influence on regional economic cooperation, it will continue to play an integral role in the changes which are envisaged during the nineties. The West, including the United States, recognizes that the military balance should not be upset as a result of the unification of Germany and that it is necessary to take into account the security interests of the USSR. It is obvious that this also refers to the APR. Therefore, the resolution of the German issue can open up new opportunities for the commencement of dialogue on questions relating to confidence building in East Asia and in the North Pacific. When the Vladivostok proposals were formulated four years ago, many of the elements necessary for starting such a process were missing. Many problems relating to Soviet-American relations had not been resolved. Soviet-Chinese relations remained tense. There was still a policy of confrontation with regard to the conflicts in Asia. There was no

openness on the part of the Soviet Union on questions pertaining to its military presence in the Far East not to mention unilateral reductions of nuclear and conventional forces. There was a high degree of mistrust and suspicion with regard to the USSR in the region.

In four years, fundamental changes have taken place in all the five areas mentioned. This enables one to presuppose that the reaction to the idea of a regional conference along the lines of that held in Helsinki could also be different, in principle, from that of the past especially as virtually all countries recognize the necessity of having a regional forum in one form or another in order to discuss political problems.

Relations with Japan could become one of the most difficult problems both for the Soviet Union's policy in the Far East and for the prospects of the common Asian process particularly if the border issue between the USSR and Japan will continue to be internationalized. This is the aim of certain circles in Tokyo which want to make general regional detente a hostage of the "territorial question."

In the context of the general regional process, the attitude of the Soviet Union toward the American-Japanese security treaty could change. Many states in the APR assess the maintenance of allied relations between Washington and Tokyo as an important prerequisite for ensuring regional stability and averting the militarization of Japan, something which many countries are concerned about.

The United States, for its part, is ready to enter into dialogue on the Korean problem and to establish relations with the DPRK provided Pyongyang fulfills three prior conditions: that it consents to all its nuclear installations being inspected by the IAEA; that it signs a declaration condemning international terrorism and another excluding the possibility of the unification of Korea by the use of force; and, in particular, that it consents to confidence-building measures in the region of the demilitarized zone. Washington openly states that it supports the idea of the development of dialogue between the two Korean sides and makes its own rapprochement with the DPRK conditional on progress being made in this sphere.

The fundamental changes in international conditions have created favorable opportunities for inviting the foreign ministers of the countries in the APR to take part in a multilateral conference on the pressing international problems of the region.

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Draft Military Reform Proposal Released

91UM00204 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 90 (signed to press 15 August 90) pp 117-122

[Draft military reform proposal by V. Lopatin et al: "On Preparing and Implementing Military Reform in the USSR"]

[Text] For a full translation of this item, see the Daily Report: Soviet Union of 1 November 1990, beginning on page 8 of the Annex.

Lopatin Explains Concept

91UM00208 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 90 (signed to press 15 August 90) pp 122-124

[Article by V. Lopatin: "Explanatory Note to the Draft Military Reform Concept"]

[Text] For a full translation of this item, see the Daily Report: Soviet Union of 1 November 1990, beginning on page 13 of the Annex.

Clandestine Diamond Export Trade Revealed

AU2310142390 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 90 (signed to press 15 August 90) pp 125-126

[Second part of article by Sergey Vasilyevich Morgachev, MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA correspondent: "On the Trail of 'ANT'"; first part published in No. 8 of the same journal]

[Text] The "Diamond" Affair

Before public opinion had had time to assimilate the "whodunit" details of the "cooperative trade" in tanks, SOVETSKAYA ROSSIYA exposed yet another "ANT" [state cooperative association] affair—its intermediary services, involving the sale of diamonds abroad, in the operations of the State Repository for Precious Metals [Gokhran]. Let us point out that these operations were sanctioned by the USSR Council of Ministers, and that the agreement on the mediation was concluded with the consent of the USSR deputy minister of finance.

It soon became obvious that not only the anti-cooperative sentiments of certain circles, but also the commercial interests of the Main Administration of the Diamond and Gold Industry [Glavalmazoloto], until recently a monopolist in the sphere of the diamond trade, were behind the "revelations" of the activity of Gokhran and "ANT." Some significant details of the way in which Glavalmazoloto used its monopoly rights became known from the interview given to IZVESTIYA by Ye.M. Bychkov, chief of the USSR Gokhran. I quote: "Glavalmazoloto, maintaining ties of cooperation solely with the international company 'City and East-West Ltd' (its headquarters are in London), has bound itself by obligations not to engage

in free trade in diamonds, and is compelled to content itself with stable prices which are much lower than average world market ones....¹

What kind of a firm is this, purchasing diamonds from the mighty Glavalmazoloto at lower prices? It turns out that it is not even mentioned in the "fat" international reference book "Mining-1989." The existence of such a small independent company on the highly monopolized and firmly established world diamond market is impossible, all the more unthinkable is exclusive cooperation between such a firm and a major supplier—the Soviet Union. We would not be mistaken in assuming that the London partner of Glavalmazoloto is only a "cover," created by some more important participant in the world diamond business with the special purpose of making contacts with the Soviet Union.

By whom precisely this was done is a further secret for "domestic consumption." The history of this cooperation is known worldwide.² In 1936, great quantities of diamonds from recently discovered Siberian mines appeared on the world market for the first time. The prospect of a destabilization and demonopolization of the market and of a slump in prices confronted Ernest Oppenheimer, head of the world's largest diamonds producer—the South African company "De Beers"—and the creator of an international diamond-mining cartel, with the need to try and somehow incorporate the Soviet Union into this cartel. In 1957, Oppenheimer's envoy arrived in Moscow, where an agreement was concluded in accordance with which "De Beers" buys up all Soviet gem diamonds (mainly uncut ones) meant for export to the West and processes and sells them through the cartel's trade organization. Diplomatic relations between the USSR and the Republic of South Africa (RSA) had been broken off shortly before the agreement was signed.

The existence of the agreement was openly admitted by the "De Beers" concern. Representatives of Glavalmazoloto held meetings with "De Beers" on an annual basis, and delivery terms were discussed at these meetings; the fact of concluding these negotiations and even their place and date were not a secret for specialists in the diamond market.

According to H. Oppenheimer, he paid the Soviet Union more than \$500 million in 1977; there are estimates according to which "De Beers" payments had increased to between \$600 million and \$700 million by the mid-eighties. It is also known that Soviet organizations and "De Beers" exchanged know-how in the sphere of extraction technology and visits of technical specialists.

Of course, the Soviet mass media and official figures indignantly denied the circumstances of the USSR's involvement in the world diamond market, since cooperation with the RSA was sharply at variance with the Soviet Union's official policy with regard to the country of apartheid.

This material was already in print when IZVESTIYA published a communication which, in point of fact,

retroactively admitted the fact of cooperation between Glavalmazoloto and "De Beers."³ It read that Glavalmazoloto had, allegedly, only just signed an agreement with "De Beers" on granting the latter a monopoly right to trade in Soviet diamonds on the world market. However, it was pointed out that the Soviet Union had had no ties with "De Beers" since 1963, which suggests that at least until that time, it had maintained them in direct form. It is also stated that before the present agreement was concluded, diamonds had been purchased by the firm "City" which, in turn, sold them to "De Beers"; this makes it obvious that the assumption about the intermediary and purely decorative function of "City" was justified. The timing of the legalization of these contacts with "De Beers" is also understandable: Steps toward curtailing the regime of apartheid have been made in the RSA.

Footnotes

1. IZVESTIYA, 10 May 1990

2. See, for example, "Africa Report," March-April 1986, pp 72-75

3. See IZVESTIYA, 26 July 1990

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Attitudes of FRG Public and Press Toward Perestroika Process in USSR

914MD001G Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 90 (signed to press 15 Aug 90) pp 140-143

[Article by Yuriy Ignatyevich Yudanov, doctor of economic sciences and MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA correspondent in the FRG]

[Text] The present phase of the implementation of economic reform in the USSR is a matter of great interest to the business community and the public in the FRG. Special interest was displayed in the new government draft program for the transition to the market economy. Numerous conversations and discussions I have had with prominent government officials and members of the business and scientific communities in the FRG and an analysis of the latest West German publications (monographs and periodicals) reveal the following three main groups of topics: assessments of the ongoing reforms and possible models of effective problem-solving; the expediency and scales of possible

Western economic assistance in perestroika processes in the USSR, and the forms and purposes of interaction; the degree of genuine interest on the part of Western industrial states in the attainment of the main goals of perestroika in the Soviet economy, and the choice of the main partners in cooperation.

I

The Soviet Government's proposed package of measures to lay a foundation for the transition to the market economy has been described as perfunctory by the majority of specialists and by the business press. On the one hand, it makes no provisions for two of the most important elements of the market mechanism—free prices and autonomous producers. Price reform does not mean the institution of the principle of free pricing under the influence of market forces. It envisages only their administrative elevation, which will reduce the state budget deficit for a short time. This measure, however, will not create the necessary conditions and incentives for efficient work and the development of business initiative.

On the contrary, higher prices will reinforce old forms of economic management. State enterprises, sovkhozes, and kolkhozes will have a chance to become profitable entities without any additional effort and without any changes in their operations. They will not have to seek new financial resources for the expansion of production or the improvement of product quality. They will simply have no need for this. Obviously, this kind of reform has no direct relationship to the market mechanism.¹

State enterprises will not acquire greater autonomy. The partial decentralization of management has already deformed their production operations and strengthened their determination to hike up the prices of their products. The retention of centralized price controls motivated these enterprises to change the product assortment in favor of more expensive items and led to the disappearance of inexpensive goods and to more serious shortages in the consumer market. The perfunctory nature of these decisions is having a lethal effect on reforms in East European countries.

On the other hand, the package of reforms includes plans to begin the gradual re-privatization of state enterprises in 1991 (turning them into joint-stock companies, cooperatives, and other forms of property, leasing them, etc.), beginning in the consumer goods and consumer service branches. This will be accompanied by the institution of a system of free market prices.² These measures represent direct steps toward a market economy.

The most important factor in the entire system for the transition to the market economy is legislative approval of the principle of free pricing.³ This does not exclude the possibility of state regulation of these processes in order to attain certain social and economic-structural policy objectives. The overwhelming majority of prices,

however, should be influenced by market demand, as well as the overall scales of production needed to eliminate the shortages.

The institution of a legal basis for the equality of all forms of property ownership is another extremely important market element providing the necessary motivation for entrepreneurial activity and giving producers the autonomy they require. This is the only way of demolishing the bureaucratic structure of economic management. The granting of greater autonomy to state enterprises (the elimination of supply and price controls) will allow them to secure their profitability not by circuitous means, but by raising the price of any product in high demand.

Other forms of property, including cooperative societies, which are prone to the speculative boosting of the prices of their products in the absence of competition from state enterprises, will have to use other forms of competition (specialized or high-quality goods and services). Then there will be no need for administrative restrictions on their activity. Finally, the creation of a broad stratum of tenant farmers with a chance to own the land they work could be a quick solution to food shortages. Without this prospect, genuine progress in agriculture is highly improbable, because the tenant will be opposed by huge bureaucratic blocs on the kolkhoz, sovkhoz, and ministerial levels.⁴

The basic prerequisites for the effective functioning of the market economy might be established with differing degrees of priority on constituent factors and schedules for their introduction into the economy. For this reason, the choice of the optimal model will be of decisive importance. It must be the model most consistent with the historical distinctions and national traditions of national economic organization and management. A possible model of a market economy for the Soviet Union is being actively sought. The Japanese, French, and Swedish models are being examined in detail. The West German model of the "social market economy" is rarely analyzed, and it is rejected upon examination because there are no comparable major factors of economic activity in the two countries (this applies above all to entrepreneurs, experienced managers, etc.).

Of course, under the conditions of such a massive perestroika of the Soviet economy, during which the basic principles of the transition from authoritarian methods of management to market mechanisms are being elaborated for the first time in history, only a uniquely national model can work successfully. It will not emerge from a vacuum. It is possible that certain useful elements of other models will be borrowed, including elements of the West German theory of the "social market economy." It has an indisputable advantage over all other options because it is already being instituted in the GDR, where the authoritarian system of economic management was also predominant. At present there is a rare opportunity to determine the strong and weak points of the model in reality, and not

just on the level of theory, and to take them into account in the further modernization of the Soviet model.

During this process, it will be important to remember that the economy of the FRG, based on the main tenets of this theory, was able to secure steady economic growth (for the sixth year in a row now), a strong position for its products in world markets, and a colossal positive trade balance (for the third year in a row, the country ranks highest in the world in absolute export volume, although it ranks below Japan and the United States in scales of industrial production). Working people have a high level of social protection in the FRG, in spite of the huge and continuous flow of immigrants (the social expenditures of enterprises in the FRG are twice as high as those of Japanese, French, and American firms).

The West German model was based on the use of the traditional Prussian method of economic management. As we know, this was also a strong influence on industrial relations in Russia and has been perceptible in Soviet economic affairs (for example, the relatively high percentage of bureaucrats in the employed population in both countries). The West German system of management has more in common with Soviet methods of administration than the Japanese model with its semi-feudal Samurai ethic. Incidentally, the Swedish model is also in a state of crisis at this time, and it is therefore a less reliable model for successful use in the perestroika of the East European economies.⁵

Finally, the deciding factor in favor of special consideration for the West German theory of the "social market economy" is the FRG's greater involvement in economic relations with the Soviet Union (German unification could double or even triple the volume of reciprocal deliveries). Today the FRG is the only leading Western power which is willing to offer real assistance in the perestroika in the USSR with a view to its own national interest.

West German firms became involved in this process quite seriously and enthusiastically, adding certain elements of their own theory to Soviet economic practices. The A. Andersen consulting firm, for example, is assisting in the establishment of the first joint-stock company in Sterlitamak at a machine-building enterprise employing 4,000 people. There is further evidence of this in a proposal by Professor R. Jochimsen, North Rhine-Westphalia minister for economics, middle-man entrepreneurship, and technology, who suggested that a "pilot project" be drawn up in conjunction with the Institute of World Economy and International Relations on the creation of technological parks in the USSR on the joint-venture principle, and so forth.

The detailed program for the gradual transition of the GDR economy to market principles envisages the sequential institution of different measures: currency (beginning with the guaranteed convertibility of the Eastern mark), economic (pluralism of ownership and a change in the economic structure to put the emphasis on

consumer demand), social (partnership in production and collaboration in administration), and ecological (the introduction of commercial principles into environmental protection). The period of transition to the market economy should last 4-5 years.

The basic priorities and sequence of the economic reform in the GDR in line with the West German model of the "social market economy" are also completely applicable to the Soviet economy. The West German side has some suggestions for the implementation of this model. The Matushka Gruppe consulting firm has proposed, for example, the use of its program for the modernization of the GDR capital market in the Soviet economic reform. The model warrants thorough consideration, and certain elements of the model should be included in our economic practices if they can be used effectively under the conditions of the new principles of Soviet economic management.

II

The expediency and scales of possible "Western assistance" (or aid) in the perestroika in the USSR are discussed constantly in the Soviet and West German press. An article in PRAVDA under the heading "The View from Moscow" stated the need to decide "how soon and how much the Soviet economy needs to borrow" with the help of various international financial organizations (the International Monetary Fund, the European Bank of Reconstruction and Development, and others).⁶ Western banks would be asked to refrain from regulating the amounts, terms, and purposes of the loans. The program of assistance should include, in addition to financial loans, the granting of most-favored-nation status in trade, the reduction of the lists of goods prohibited for export, and the acceleration of the formation of joint ventures and assistance in their operations.

The business press and the overwhelming majority of specialists in the FRG also acknowledge the need to grant large financial loans in support of perestroika. This was discussed, for example, by Foreign Minister H.-D. Genscher: "The FRG is willing to engage in broad-scale economic and financial cooperation with the Soviet Union. Western democracies realize the difficulties of the transition from the planned economy to the social market economy. This process will be important for stability in Europe."⁷

Specialists in the FRG have advocated more favorable terms regarding the size of loans and the repayment schedules, but they also suggest that stipulations be made regarding the use of the financial resources as a provisional condition. "The Soviet Union does need an economic program of assistance," remarked FRANKFURTER ALLGEMEINE ZEITUNG, "but these loans should be used not for the retooling and modernization of inefficient state industry, but for the immediate satisfaction of consumer needs. Economic problems are spreading quickly, and the process of production modernization cannot produce quick results because it will

take a long time. The most important thing now is the fundamental improvement of supplies of consumer goods. This will necessitate long-term credit with prolonged repayment schedules and immediate deliveries of consumer goods."⁸

The "perestroika credits" which were extended by the FRG, Italy, and Japan and which totaled 2.1 billion rubles are always cited as an example of the inefficient use of Western financial resources for the modernization of Soviet production in light industry and the food industry. The equipment included in these transactions was ordered only after long delays and without any consideration for the actual needs and interests of industry. For this reason, the equipment which was purchased was used badly. Members of the FRG business community (particularly the executives of the Billerbeck firm) doubt that credits for the modernization of Soviet production can be productive at a time when the enterprises themselves have no opportunity to coordinate equipment purchase volumes with the necessary production infrastructure.

The heightened effectiveness of Soviet production, according to the majority of West German experts, is connected less with the need for new technological equipment than with the use of progressive methods of labor organization. It should be based on the principles of production logistics, which depend, in turn, on the overall level of production sophistication and labor motivation. The radical modernization of production in the USSR can only be achieved by means of joint operations at mixed enterprises, in which the Western side will contribute new equipment and the practical skills of its optimal use. In the market economy the modern method of managing production is certain to be used at all other Soviet enterprises as well.

If credits should be needed for the modernization of industry after all, it would be best to use the services of the international financial organizations already experienced in achieving the necessary level of effectiveness in the overall production infrastructure. Obviously, this would be of exceptional importance in Soviet economic operations.

The Soviet Union needs financial assistance without delay. FRANKFURTER ALLGEMEINE ZEITUNG commented, because supplies are deteriorating, inflation is rising, and it is becoming more and more difficult to find hard currency to pay for imports (around 17 billion marks).⁹ Stabilizing the social order in the country will necessitate a perceptible improvement in supplies of consumer goods. This problem could be solved effectively with borrowed funds.

"The principal and most dangerous enemy of Soviet reform at this time," remarked WIRTSCHAFTSWOCHEN, "is the shortage of consumer goods. If the coming winter turns out to be too cold or if there are serious interruptions in production, the possibility of economic chaos in the country cannot be

excluded."¹⁰ Filling the consumer market will create the essential prerequisites for labor motivation and business initiative, and these will secure a less radical and more evolutionary transition to the market economy.

III

There is no question that Western countries have an interest in the achievement of the basic goals of perestroika in the Soviet society. The possibility of conquering this huge sales market holds out the promise of large profits. There is also, however, a moral consideration, as PRAVDA pointed out. "This is a matter of the welfare of the people in Eastern Europe and even in Eurasia. Their existence is an integral part of all human civilization."¹¹ It is possible that this is why different varieties of assistance (modeled on the Marshall Plan) are being suggested in the West. It would probably be wrong to reject these plans outright, because in contrast to financial loans, the funds included in these programs do not have to be repaid (only around 5 percent has to be returned).

Different countries and regions of the Western world have different views on the question of aid. According to the FRG business press, "the Americans are clearly hesitant with regard to economic assistance in the Soviet perestroika."¹² The catastrophic government debt (over 3 trillion dollars) and some signs of crisis in the economy have led the U.S. administration to entrust the decision on this matter to private firms, although it is clear that the Soviet Union is on the verge of solvency and that new approaches to economic cooperation should be considered. The WASHINGTON POST has commented on the "apparent American policy of the non-extension of financial aid to the USSR."

Another approach is characteristic of the West European countries. It stems from a desire to influence basic trends in world economic development and determine the main factors capable of strengthening the European continent's position in world economic relations. There is a growing conviction in Western Europe that the success of the Soviet perestroika will not only strengthen stability in the region, but will also establish the economic prerequisites for a stronger position in the world economy. Many experts associate this process with the introduction of the new principles of international horizontal division of labor (intrasectorial specialization) into Europe-wide economic cooperation. This will considerably strengthen the European continent's position in competition with other economic centers (this opinion was expressed by Professor K. Wiedenkopf, Professor E. Donges, and others).

This approach was backed up by logical arguments at the annual conference of the German Businessmen's Association (11-12 June 1990). The chairman of the board of the Bank of Tokyo, the Japanese financial giant, said that three main regions—the American, Asian, and European regions—would be competing in the 1990s. Active efforts are being made to build up the first of these: A

zone of "free trade" between the United States and Canada was created in 1989. The United States plans to conclude a similar agreement with Mexico and some Latin American countries soon. An intensive search for new principles of international division of labor is going on in the region.

In the Asian region the process has been developing for a while. Japan was the first country to institute the new principles of international horizontal division of labor with the group of "new industrial nations," primarily with Singapore and Hong Kong, and also with South Korea and Taiwan. Relationships of this kind were also formed with some ASEAN states (Malaysia, Thailand, and Indonesia) and even with some socialist countries in the region. All of this has created considerable potential for the stepped-up economic growth of the states in the region.¹³

In Europe the process of forming a single economic complex has been slower because of the complex socio-economic reforms in the eastern half of the region. The European Community could be the nucleus of a new economic entity if the optimal ways of including the EFTA countries and the East European states in a unified system of Europe-wide economic cooperation can be found.¹⁴

In 1989 the correlation of the GNP's of the United States, the European Community, and Japan was 10:9:6. If integration processes continue to develop successfully in these regions and if the Asian complex continues to display higher rates of economic growth, a balance could be reached by the year 2000. The annual GNP in each region will be worth around 10 trillion dollars. This scenario of world economic development indicates the interest that all European countries have in Europe-wide cooperation, and the West European states have as great an interest as the rest.

The importance of acknowledging the mutual benefits of all forms of "Western solidarity" for the European region as a whole was also pointed out in a speech by Federal Economics Minister of the FRG H. Haussmann at the annual congress of the German Businessmen's Association. "In Central and Eastern Europe," he said, "more than 400 million people have pinned their hopes on the realization of the principles of the market economy and Western solidarity.... It is not only their welfare that is at stake here. This is a matter of their common peaceful future, their common environment, and their common European culture.... The time has come, for us as well as for our East European neighbors, to test the effectiveness of the market economic mechanism in solving common national problems."

The FRG occupies a special position among the West European countries because it became most closely involved in the process of common European construction in connection with the creation of a unified Germany. This, in turn, was directly related to the success in implementing the basic principles of perestroika in the

Soviet Union. "The FRG should promote this process by offering immediate economic aid with a view to its own national interests," remarked FRANKFURTER ALLGEMEINE ZEITUNG. "There is no point in pinning any special hopes on other West European industrial countries or, for that matter, on the United States, which is certainly not in any hurry to shell out money now that perestroika is encountering increasing difficulties." The newspaper went on to say: "The FRG is understandably encumbered by the problems of economic aid to the GDR, but Moscow hopes that Bonn will be able to mobilize other industrial countries."¹⁵

The FRG is willing to discuss not only financial assistance, but also broader aspects of economic interaction by the two countries. During the first phase it would be best to organize massive deliveries of consumer goods within the financial aid framework to alleviate the tension caused by shortages in the Soviet market. The second phase would entail broad-scale cooperation in the economic sphere by means of numerous joint ventures. Because the "pluralist model of ownership," based on internal sources (cooperatives, joint-stock companies, etc.), still cannot compete with the monopoly of state enterprises, it should be backed up by foreign support—i.e., by joint ventures with capital participation by Western firms. They could act more autonomously in the strictly regulated production infrastructure, which is virtually beyond the capabilities of cooperatives and other alternative forms of property at this time. Joint ventures could become a unique model of the basic production entity in the mixed economy.

Of course, the FRG is not concealing its hope of introducing some elements of the "social market economy" into Soviet economic practices. This is already being done in the GDR economy. According to H. Haussmann, this process will entail the creation of preferential organizational, financial, and tax conditions for small and medium-sized enterprises (there are around 2,000 in the GDR today, but the number is expected to rise to 90,000 in the near future). The FRG state budget allocates around 7 billion marks for this purpose in 1990 and 10 billion in 1991.

Another important step in creating the "social market economy" in the GDR is the gradual privatization of production combines. Both processes are to be accomplished through specially created mediating societies (or trusts) to exclude them from the control of the "planning bureaucracy." The gradual introduction of these elements into economic practices in the GDR will make the transition to market mechanisms of regulation relatively painless.

The process of perestroika in the USSR is entering its decisive phase. A legislative basis for the introduction of market mechanisms into the economy has already been established and is being improved constantly. In world practice, however, there has been no broad-scale experience in the effective completion of these "pioneer projects." It will be accumulated in the complex and

contradictory atmosphere of the thorough consideration of Soviet economic development dynamics. This calls for the particularly thorough analysis of factors influencing the transition to a market economy in all East European countries.

Footnotes

1. FRANKFURTER ALLGEMEINE ZEITUNG, 6 June 1990.
2. WIRTSCHAFTSWOCHE, No 23, 1990, pp 43, 44.
3. MANAGER MAGAZIN, No 6, 1990, p 149.
4. DER SPIEGEL, No 23, 1990, p 149.
5. MANAGEMENT WISSEN, No 6, 1990, pp 24-27.
6. PRAVDA, 3 June 1990.
7. FRANKFURTER ALLGEMEINE ZEITUNG, 11 June 1990.
8. Ibid.
9. Ibid., 6 June 1990.
10. WIRTSCHAFTSWOCHE, No 23, 1990, p 46.
11. PRAVDA, 3 June 1990.
12. DER SPIEGEL, No 24, 1990, p 151.
13. D. Neisbitt, "Megatrend 2000," Dusseldorf, 1990, pp 235-237.
14. R. Berger, "Europa-92," Dusseldorf, 1990, pp 20-22.
15. FRANKFURTER ALLGEMEINE ZEITUNG, 6 June 1990.

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